



roaring dragons

Entrepreneurial Tales from Wales
Rhys David



acknowledgements

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introduction

We are often told Welsh people are not entrepreneurial, and a variety of explanations – some of them by now rather hackneyed – is usually offered, ranging from the former dominance of big self-sufficient sectors such as mining or steel to the preference of many parents for their children to find careers in the professions such as teaching, the law or medicine.

But while Government reports and academic research still point to some reluctance on the part of Welsh people to start their own enterprises, the voice of those who are running important Welsh businesses is rarely heard. Nor, perhaps, is sufficient recognition given that throughout the length and breadth of Wales there are businesses, some going back a hundred years or more, and some of much more recent origin, which are as fast-moving, innovative and enterprising as their rivals in other parts of Britain.

This publication sets out to present insights into just such businesses as these: Welsh-based companies operating in a variety of fields and making a success of it. It aims to tell their stories of the strategies they are adopting to survive in an increasingly competitive environment, the difficulties they have faced, the way they have overcome them and the assistance they have been able to call on.

The companies we have selected vary considerably in size, the biggest, Newport engineering and construction company, Rowecord, employing more than 1,000 and the smallest two, food manufacturer, Patchwork and pharmaceuticals company, Maelor, just a handful. Some are very international in their business orientation, manufacturing on three Continents and selling worldwide in the case of Biotrace, the microbiological test company, or supplying life-saving equipment to the famine-affected areas of Africa, as does Rowecord subsidiary, Braithwaite.

They are also drawn from a variety of sectors within manufacturing and services, some dealing with a small number of key clients and others dealing with thousands of different customers each day. Their headquarters are to be found across Wales from Bangor in Gwynedd to rural Powys and Cardiff, and they include companies which in one case – North Wales builder, Watkin Jones – go back more than 200 years and nine generations, to another in the same business sector, Cardiff-based, Opco, founded since the turn of the new millennium.

Some of the businesses we look at are resolutely family-owned and already have in place a new generation of family members already in key roles and ready to take over. Others such as Wynnstay, the Powys agricultural supplies group, have ventured on to the London markets, securing funding from City institutions for their forward investment plans, and accepting the challenges posed by exposure to the financial markets.

Some have charismatic leaders, individuals who have taken a risk, convinced, like all good entrepreneurs, that they have the expertise or the idea to make a difference.

Others are run by teams where complementary skills have been brought together to ensure the right overall management, financial, human resources and other skills can create the combination needed for success.

Yet, though they vary widely, the companies do have much in common. Firstly, there is widespread recognition that, if time and trouble is not taken to ensure the business grows and develops, it will not help to shape the future of the sector in which it operates but will, at best, be part of another company's plans. Secondly, all the businesses covered have invested in people, processes and plant to ensure they stay ahead. This has been the secret behind the success of one of the most private – in all senses of the word – companies covered in the publication, Ifor Williams Trailers. From its base in Corwen its products are now seen daily up and down the roads of Britain, on farms, in factories, at shows and exhibitions and elsewhere.

Thirdly, nearly all of the businesses, including those without the opportunity for an international profile, have realized the importance of trading outside Welsh borders, even if only into neighbouring England, where a much greater population and market lies close at hand. Thus, Watkin Jones is building in English cities and includes major companies such as Tesco among its clients, while Leekes has defied the pressures facing department store owners generally to open up in Wiltshire.

Interestingly, all the companies covered have used relatively straightforward methods of finance to keep their businesses running and have generally stayed clear of the more sophisticated forms of borrowing and funding that are available, such as venture capital. The equity demands of these institutions, in return for nothing more than modest investments, are seen by several of the directors we talked to as often far too rapacious.

Two of the companies, Wynnstey and Maelor, are listed on the Alternative Investment Market (AIM) and a third Biotrace has a full stock market listing, (though it is currently subject to a takeover proposal). The advantages these companies see from listing is firstly access to a wider funding pool and the challenge of responding to the more rigorous requirements which come with a stock exchange quotation. In particular, as Wynnstey point out, a listing means you are playing in the premier league and have to act accordingly. This means very high standards of corporate governance, which, while it can be onerous, can also mean the business gets to be better managed with benefits for customers, staff, and shareholders.

Companies that have listed are quick to point out, however, that there are drawbacks, too, and in particular the City of London's notorious short-termism. Directors can and do sometimes feel that decisions they wish to take in the long term interests of the business have to be swept aside because of the need to maintain onward share price growth. Businesses can sometimes feel they are being driven by the need to ensure the institutions can continue to receive ever-improving dividends. As such, it can sometimes be simpler to accept an offer from a much bigger company – as has happened in recent years with several quoted Welsh companies – to escape the City treadmill.

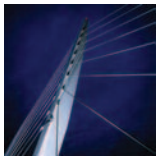
Though they have had to take risks to succeed, most of the companies interviewed have been prudent with their finances, relying heavily on internally generated resources or borrowings from their banks to fund their development and expansion. The banks themselves emerge from their stories with mixed reviews, in some cases being regarded as very helpful and in others downright unhelpful. One company reported being given only weeks by one of the big four banks to eliminate its overdraft without any previous warning. The bank lost that business, and the company concerned has subsequently gone on to become a leader in its field. Others wryly note that the banks are only there to help when your business is strong.

Perhaps surprisingly, public sector support agencies appear to play a much less significant role in the success of the businesses we talked to than might have been assumed. Some of the businesses operating in the retail and leisure field felt financial assistance was geared to manufacturing and excluded them, while some of the medium-sized businesses argued that they fell between two stools. A lot of the funding and other assistance programmes, it was felt, were directed at very small companies, including start-ups, ruling the medium-sized companies out. Bigger companies, it was argued, were able to deploy much greater muscle in ensuring their interests were looked after. Perhaps in confirmation, some of the most appreciative comments on the efforts of the Welsh Development Agency and Wales Tourist Board's support efforts – particularly mentoring – came from one of the smallest companies, Patchwork.

There were complaints, too, that support was too often linked to job creation when possibly the business could only be strengthened by investing in new equipment or processes and reducing employment. A greater focus on helping already successful businesses to grow was called for by one industrialist as the only way to ensure Wales's small and medium-sized businesses became larger and were retained in Wales under Welsh ownership.

All of this is not to say many of the companies surveyed were not taking advantage of a number of financial and other packages on offer from Government. Insurance brokers, Thomas, Carroll in Caerphilly has, for example, used Welsh Assembly Government financial assistance to invest in new information technology, and Rowecord in Newport received a grant to help with the £2.5m refurbishment of its main works. In general, red tape was not felt to be too much of an obstacle and several companies mention the support the Welsh Development Agency has been able to offer in releasing land or dealing with other property issues.

The access to ministers that has come about as a result of devolution was also welcome to many of the companies. Government ministers, including the First Minister, have been very willing, companies report, to visit plants to see for themselves some of the problems facing business and have been prepared to take up issues and seek to resolve them. This accessibility to decision-makers is regarded as one of the main bonuses from the creation of the National Assembly for Wales.





More worryingly, only a few of the companies reviewed were working closely with university departments or local colleges to improve their products, even though there are now few businesses – and certainly none that aspire to be part of the knowledge economy where Wales is supposed to be heading – that could not usefully rely on some input from academic departments.

One of the main problems that businesses wish to see Ministers move higher up the agenda is skills shortages, which in a number of cases represent a potential constraint on growth. Even in populous south Wales Rowecord has found difficulty securing young people willing and able to train as draughtsmen, despite the high levels of job satisfaction the career offers, and the company has had to turn abroad. Watkin, Jones in Bangor has similarly had recruitment problems, despite being located in an area where many remain out of work. In Denbighshire, the problem is a largely full employment market.

Shortages exist at all levels, including managerial posts, with most companies perhaps understandably, looking within and beyond Wales to fill the most senior positions. More serious, however, is the difficulty of finding in Wales individuals to fill posts in areas such as marketing which are now vital to the ongoing success of businesses. This is coupled, too, some companies report, with a reluctance on the part of some suitable candidates across a variety of posts to move to Wales for one reason or another.

Most of the companies reviewed are, however, seeking to overcome shortages with positive programmes of training, as in the case of Merthyr Tydfil printer, Stephens & George, or innovative programmes designed to motivate and retain staff as Cardiff builder, Opco, and Patchwork are doing.

Communications within Wales are another issue. Companies in mid and north Wales argue that the difficulty of reaching markets and of connecting with Cardiff necessitate further investment in the roads network.

These are issues which can and will, one hopes, be addressed. The message that comes through from our publication is that entrepreneurialism is alive and well, much of it residing in companies with their origins in Wales and with a dedication to continuing to operate successfully within the Welsh economy. To that extent they are the inheritors of a well-founded and long-standing tradition of entrepreneurialism – exemplified by David Davies of Llandinam and other Welsh coal owners, by the Reardon-Smiths and other Cardiff ship-owners, and by the many refugee owners of small businesses in Treforest and elsewhere – that has always existed in Wales.

Rhys David
October 2006



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sculptors in steelwork

Monuments to the engineering skills of this Newport-based company can be seen all over Britain from new sports stadia and bridges to prestige office blocks on the banks of the Thames. It is also helping to bring water to some of the poorest and driest regions on the planet.

Profile

Company	Rowecord
Sector	Engineering
Location	Newport

If they are ever in need of inspiration, the draughtsmen and craftsmen who design and create the complex structural steelwork produced by Newport company, Rowecord, need only look around. The company's works lie conveniently next to the River Usk alongside one of the engineering wonders of Wales, the Newport Transporter Bridge.

From under this imposing structure, one of only two in Britain where a travelling platform is used to convey vehicles and passengers across water (the other one is in Middlesbrough), some of Wales's best-known steel constructions start their life in Rowecord's drawing office

Swansea's Liberty Stadium, home of the Ospreys rugby side and Swansea City football, is made of 2,600 tonnes of steel members fabricated by Rowecord, as is the Millennium Plaza that adjoins the Welsh Rugby Union's Cardiff headquarters. Also in Swansea, Rowecord was responsible for the £2m Port Tawe Sail Bridge, the iconic new 140m long cable-stayed foot and cycle bridge, complete with 43m high steel mast, that has become the centrepiece of the SA1

development, linking two parts of the city previously separated by the river.

Nearer home the company, which employs more than 1,000 people, has been responsible for Newport's new £4.9m River Usk foot and cycle bridge, as well as other Welsh projects, including Theatr Mwlgan in Cardigan, flats on the former Monico cinema site in Cardiff, and a range of factory, office and other developments, such as the huge Concast facility at Corus's Port Talbot steelworks.

The range of projects – each of them giant sculptures in steelwork – goes much further than Wales. Rowecord steelwork has been used recently in aircraft hangars in Farnborough in Hampshire, in an award-winning steel and glass footbridge in Coventry, in Football League side



Milton Keynes Dons' stadium and in the refurbishment for property group, Chelsfield, of a former BT tower block in a prestige site alongside the Financial Times and the Globe Theatre near Southwark Bridge in London. Steel water tanks from Rowecord Group subsidiary, Braithwaite, are to be found even further afield in various parts of Africa, Eastern Europe, and

the Middle East, including Iraq and the Antarctic, as well as in hospitals, offices and factories in Britain.

This impressive range of activity is perhaps not surprising given the constituent companies that have gone to create the Rowecord Group, now an integrated company capable of offering a range of in-house expertise for delivering big projects.

COMMON THREAD

A common thread links all these businesses with the founder of Rowecord, 73 year old Ben Hoppé whose Quaker great grandfather left the Baltic in the middle of 19th century for Swansea to avoid his sons being conscripted in the Prussian war. A talented sportsman, who

was once offered a trial by Leeds United and went on to gain an FA coaching certificate as well as playing cricket for Monmouthshire, Ben Hoppé left school early to work for steel construction company, Dawnays, in Swansea, where Michael Heseltine's father Rupert was managing director. The early death of his father and the need to earn an income

had made it impossible for him to fulfil an ambition to become an architect.

After his five year apprenticeship he served his National Service in the Royal Engineers. Here he obtained a commission and served this period at the 'School of Military Engineering – Chatham' where new skills were acquired in bridge building and heavy engineering.

From Swansea he moved to the Midlands to work for Braithwaites, which then had a significant business building power stations before returning to Wales to join Rees & Kirby, one of the principal contractors building the new Llanwrn steelworks in the early 1960s. Rowecord was formed in 1968 and has gone on to acquire a number of businesses which include Braithwaite Engineers, a structural company with over 100 years experience world wide, Unifloc, a process engineering company with 70 years experience, Andrew Scott in Port Talbot – one of Wales's longest established construction companies, formed 137 years ago – and Total Access, a scaffolding company with near to 200 employees mainly working in the South Wales area. Industrial Planners & Constructors is another smaller



company that is an agent for large valves used mainly in the steel and petrochemical industry.

Unifloc's recent contracts include equipment for screening and conveying iron ore at Corus, Port Talbot, limestone handling and stockpiling at Brunner Mond's Winnington works in Cheshire and gritstone crushing for Hanson Aggregates at Craig-yr-Hesg in Glamorgan.

MULTIFUNCTION COMPANY

The growth from a handful of employees offering structural steel services to a multifunction company, capable of handling a project from drawing board through to handover to client, reflects the cautious go-it-alone approach of Ben Hoppé, whose family, including two sons working in the business, own and control Rowecord. Expansion, including acquisitions, has been financed from internal resources without recourse to borrowings, enabling the company, according to Ben Hoppé (who freely describes himself as, in the best sense of the word, careful) to remain firmly in control of its own destiny. The company's most recent large investment has been a £2.5m refurbishment of its Newport works, backed by £300,000 Welsh Assembly Government selective regional assistance funding.

"We have completely reconfigured our manufacturing facilities, creating conveyance systems which can fast track heavy steel members and pre-fabrications from one process to another. We have also put in new shot blasting and spraying facilities, two curing and heating units pipe-cutting and steel-cutting machines.



"The investment

in new manufacturing facilities makes dramatic improvements to our production capacity and ensures we continue to produce material of the highest quality. Most importantly it helps us to protect jobs" Ben Hoppe

The investment makes dramatic improvements to our production capacity and ensures we continue to produce material of the highest quality. Most importantly, the investment helps us to protect jobs," Ben Hoppé states.

The company, which is now the fourth largest structural steel group in Britain as well as Wales's biggest, expects to see continued growth in the use of steel as a building material at the expense of re-inforced concrete and other rival processes. The market according to Ben Hoppé has moved in favour of structural steel, which now takes a share of more than 70 per cent of all buildings more than five stories high and becomes virtually essential on taller structures. The main advantage of steel is the speed with which a building's framework can be put together once the elements have been manufactured in the factory.

BRIDGE BUILDING

In competing for work Rowecord believes it enjoys an advantage by being able to bring together different parts of the building process as a result of its ownership of contractors, Andrew Scott and materials handling company, Unifloc. It is also relying on the expertise it has now acquired in bridge building and in stadium development (where, admittedly operating on a much smaller scale, it has avoided the financial and other problems encountered by firstly Laing in building the Millennium Stadium and now Multiplex in building the new Wembley) to win further work in sophisticated areas such as these. The company also acts as a sub-contractor itself, however, working alongside big

construction groups as specialist supplier of steelwork or other services.

The rise in the price of steel over recent years, largely under the influence of strong demand from China, has been an embarrassment to the company, which found itself having to work to quotations offered at a time when much lower prices for its main raw material were prevailing. However, these contracts have now largely been unwound, according to Ben Hoppé and, in a market that he describes as currently being buoyant, contracts now much better reflect the higher steel prices of recent times. Demand has been strong in Wales as elsewhere, with the redevelopment of Swansea's dock area and of Newport city centre expecting to continue contributing to order books as both cities seek to replicate Cardiff's revival and growth.

The Braithwaite water plant business is also expected to continue to develop strongly. The company makes the sections for modular tanks, which are then assembled on site wherever water needs to be stored in large quantities. This can range from hospitals, hotels, factories and office blocks in developed and developing countries to village communities in the poorest countries. Braithwaite tanks are to be found in many famine and drought-affected regions across Asia and Africa. One recent client is the Bank of Tanzania, which has recently taken delivery of 48 glass-reinforced plastic water tanks for a new extension in the capital, Dar-es-Salaam, with another smaller contract being won for the same client in Zanzibar.





The company also recently started a joint venture with Hyundai Heavy Industries, part of the huge South Korean chaebol, which is constructing onshore facilities and offshore pipelines for Shell's Nigerian subsidiary on Bonny Island. Braithwaite is supplying and installing three steel water storage tanks for drinking water and 30 metre high supporting water towers. The company has also won contracts to help improve water supplies in Afghanistan.

A significant problem for the company and one that puzzles Ben Hoppé is the difficulty of recruiting skilled workers, and in particular draughtsmen. As a former draughtsman himself Ben Hoppé regards the work as one of consuming interest, offering the opportunity to take a project through from pencil and paper onwards, tracking it through the works, seeing it being erected and completed on site. Sadly, despite trying hard, the company finds it very difficult to secure draughtsmen or shop floor workers locally, or to find recruits to train, preferably from the age of 16 onwards. According to Ben Hoppé bright young students at the age of 16 are persuaded to remain at school to take 'A' levels. It is in the interest of schools as this attracts financial incentive funding.

WELDERS

The company, like so many others in Wales and elsewhere in Britain, has had to look further afield. It has recruited welders from Poland as well as Filipino draughtsmen, sometimes running into local criticism for doing so. The company may, however, find itself having to

outsource some of its drawing, Ben Hoppé believes, if the difficulties continue.

It is not, as Ben Hoppé points out, that local companies do not make efforts to find workers in and around Newport itself. A group of about a dozen Newport companies has set up its own recruitment and training agency, which acts as a clearing-house for apprentice and other vacancies in engineering and allied trades. Nor does a commitment to training prove inexpensive. "It costs us about £70,000 and it takes four years to train a draughtsman, for example, including a first year spent in full-time education and a day release per week at the local tech."

These problems have been drawn to the Assembly Government's attention and Ben Hoppé is hopeful they will move up the agenda and receive attention, so that companies such as his can continue to compete effectively in UK and world markets. In the meantime, as Ben Hoppé himself contemplates a further easing down of his own responsibilities and his sons take over greater responsibilities for running the business with senior colleagues, the next few years will see the focus move to consolidation of the business as it absorbs the impact and take advantage of its investment in new facilities.

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rapid results

The Bridgend manufacturer of products to test for contamination is relied on by manufacturers of consumer and industrial products around the world to provide assurance their facilities are clean. An acquisitive company started less than 20 years ago, it now operates internationally in Europe, Asia and North America.

Profile

Company	Biotrace
Sector	Industrial Microbiology
Location	Bridgend

When a leading international confectionery company had to remove several million bars of chocolate from stores because of a possible link to salmonella in 2006, the immediate cost was put at £20m. Yet, the wider damage in such cases can be much greater, potentially wiping out several decades or even longer of trust built up with consumers that have come to regard the brand as embodying very high standards of reliability.

In some cases recovery can be either very slow or less than complete. Until the 1980s a Perrier was as much a synonym for sparkling bottled water as Hoover was for a vacuum cleaner. A contamination scare resulting in a large-scale product recall undermined that powerful positioning of the Nestle brand. The

Perrier incident is now largely forgotten but the green bottle's market dominance has gone, too, and other brands that were able to take advantage of its misfortunes are now equally prominent in the fiercely competitive bottled water market.

PEACE OF MIND

Providing manufacturers in the food and other markets with the peace of mind they need that their products are being produced in clean environments is a job that Bridgend-based Biotrace International has been successfully carrying out for the past nearly 20 years, growing over that period to become one of the leading world companies in this specialist field. An acquisitive company with a strong record of growth, Biotrace now operates internationally in Europe, Asia and North America and in 2005 had revenues of £29.3m and pre-tax profits of £3.5m.

Acquired in October 2006 by IUS multinational 3M in a £52m deal, Biotrace has become the sixth largest

manufacturer of industrial microbiology products in the world, serving customers in the food, pharmaceutical, water and defence industries and employing more than 300 people worldwide, including 100 in Bridgend. Its competitors are mainly big international businesses, usually the subsidiaries of broadly-based chemical industry giants.

This Welsh-based business has its origins like so much else in Wales in that great Welsh natural resource – water. Laleston-born Ian Johnson, its chief executive and co-founder, worked for Welsh Water testing for contamination in marine environments, sewage treatment works and water supply networks. A Cardiff University graduate, he left in the 1980s after completing an external masters degree to work with one of his former lecturers in a small commercial venture, Clear Ltd.

After five years getting to grips with the commercial world, Ian Johnson decided that rather than follow the new direction Clear had decided on, he would

"The rules governing

assistance need to be interpreted more widely... as in other countries, and support given for the purchase of technology as well as its development"

Ian Johnson



seek instead to use the particular technical research he had been engaged on in Cardiff. Biotrace was born, (with the help of business partner, Colin Griffiths who retired in 1996) in the Cardiff Business Technology Centre in Senghenydd Road, close to the university in Cathays Park. In 1989 with help from the Welsh Development Agency and the former Mid Glamorgan county council the business moved to the then new Bridgend Science Park.

Four years after the first products emerged from the Bridgend factory in 1990, destined for customers such as Nestle and Grace Dearborn, the US chemicals company, and after several rounds of investment by venture capital firms, the company floated on the London Stock Exchange raising £10m. Within a few years, and despite its relatively small size, its success was recognized with best technology award in the plc Awards organized by the Financial Times and accountants, PricewaterhouseCoopers. This recognized its record in delivering innovative products and strong returns to its mainly institutional investors.

DEFENCE SECTOR

The main markets serviced by Biotrace are food and environmental, accounting for just over two thirds of revenue, pharmaceutical, personal care and cosmetics, representing a further quarter of business, and defence, a small but expanding sector accounting for the rest. Products developed for the defence sector include biological weapon



detection equipment and consumables, and customers include the Ministry of Defence in Britain and a number of foreign government and defence organizations.

The recent award of a £1.2m contract to supply nuclear, biological and chemical field laboratories and associated equipment to Nato's Maintenance and Supply Agency will boost this year's revenues. Business is split almost equally in revenue terms between the Americas and Europe, the Middle East and Africa, both of which had sales in 2005 of more than £13m, the still relatively unexploited Asian market bringing in a further £2.5m.

Biotrace supplies its 10,000 customers in these markets with two broad types of product – consumables for testing for contamination and the equipment for carrying out the tests. Apart from Bridgend, manufacturing is carried out in Runcorn, Indiana and



Australia, with the company's leading proprietary brands, Ascotec, Cogent, International BioProducts and Tecra accounting for 83 per cent of sales.

The business model, Ian Johnson points out, is much like that of the shaving market. In the same way as industry leaders Gillette or Wilkinson Sword sell an initial product – the razor which the customer must regularly re-equip with new blades – and derive most of their revenue and profit from the latter, so Biotrace sells testing equipment that generates regular repeat orders for its consumables. Currently some 90 per cent of revenue comes from recurring consumables.

Customers, who are supplied through a network of 70 distributors from manufacturing plants in the US and

Australia as well as Bridgend, are essentially buying rapid results: the ability to find out within seconds whether or not surfaces are clean for the manufacture of food, including dairy products, cosmetics, and pharmaceuticals. If not, they can immediately put cleaning processes into effect. A variety of technologies is offered under different brand names, depending on whether the tests are being made for hygiene monitoring; pathogen, toxin, allergen and vitamin tests; or air sampling. Some customers make up simpler compounds from materials supplied by Biotrace but three quarters of the products supplied are pre-prepared, with value added at the manufacturing stage.

Support for the company from key institutions in Wales, such as local

authorities, the Welsh Development Agency and the Welsh Assembly Government has been good, according to Ian Johnson. "The Assembly has brought greater access to officials and to ministers, and we have been well supported by both Andrew Davies, [Economy Minister] and Rhodri Morgan [First Minister]." In particular, the ability of the business to work closely with Government and Government ministers in Wales has made it possible to achieve much higher visibility in the markets in which it operates. The company has also received help with its research through research grants, a helpful if not huge contribution, according to Ian Johnson.

GREATER FOCUS

There are, nevertheless, changes he would like to see in the way Government support in Wales is delivered, in particular a greater focus on helping successful businesses to grow further. This, Ian Johnson says, is vital if larger firms are to be established and retained in Wales. Although the new Knowledge Bank for Business is a step towards achieving this, the mechanisms it can use are seen as outdated. "K4B4 is in danger of being a new wrapper on old products," he argues. The rules governing assistance also need to be interpreted more widely by officials, as in other countries, and support needs to be given for the purchase of technology as well as its development. Such help would be much more helpful, the company believes, than, for example, changes in the tax structure for companies in Wales.

Product development to date has been largely managed in-house with support from academic departments at Cardiff University and University Wales institute, Cardiff (UWIC). Biotrace has commissioned work from post-graduate students in departments at both universities and also has a regular intake of graduates. Professor Chris Griffiths at UWIC is retained as a consultant on science matters. An impressive total of 10 per cent of turnover is spent on research and development.

Commercial skills are harder to find than scientific skills in south Wales, the company reports, with sales and marketing expertise in particularly short supply. As a result, services in these fields generally have to be commissioned from outside Wales. There also remain problems in persuading individuals from outside Wales to relocate here.

REGULATORY BURDEN

Compliance with stock exchange regulations has been another burden. "Regulations increase year on year and we have had to meet the same reporting standards as much bigger companies with critical mass that are able to afford teams of people to carry out these tasks," says Ian Johnson. Among the recent new burdens are the need to adopt international accounting standards when reporting company results, and the growing demands of corporate governance, and health and safety. Compliance in all its forms has been taking a significant portion of the time of the two key executives on whose plate this falls – Ian Johnson himself and his finance director, former AB Electronics finance controller, Peter Morgan.

Stock exchange listing has also brought the company face to face with the City of London's notorious short termism and made it necessary to devote considerable time to shareholder presentations. *"It is difficult to balance out long term project plans with the need to demonstrate high levels of performance to fund manager shareholders who have typically a three month view of their fund's value. Sometimes we want to do things that will cost in the short term but will give long term benefit. You have to make sure you inform shareholders and bring them along with you."*

Quoted companies can also be vulnerable to stock market sentiment about particular sectors, regardless of the individual company's own performance. "You can have a lot of value wiped off your share price, simply because sentiment has moved against the sector as a whole for one reason or another," says Ian Johnson, himself the owner of a 7 per cent stake in the business. Other significant shareholders prior to the acquisition by 3M were Liontrust, Herald Investment Trust, Morley Fund Management and Armor Capital.

Ian Johnson remains convinced, however, that the public market has been the right place for companies like Biotrace simply because it provides the best access to funds the company needed from time to time to finance expansion or acquisitions. Thus, although he acknowledges there were many private equity companies offering finance to support stock exchange exits, a move to go private, as have some other companies, including Welsh washroom services company, PHS, was never an option for Biotrace.

Although the decisions will now be taken in conjunction with the new owners, Ian Johnson believes the company has the potential to grow faster than the overall 5-6 per cent annual increase in the market itself – currently estimated at \$3bn a year by value – and has set a \$100m turnover as the company's next milestone. Part of this growth is expected to come from expansion into broader industrial diagnostic testing, such as anti-biotic residues, an area of increasing interest to dairy product and other food manufacturers. The company's big competitors, Ian Johnson points out, tend to be part of much bigger chemical industry conglomerates that have huge catalogues offering a wide range of products the customer has to find for himself. Biotrace has tried to tackle niches within the marketplace for higher technology repeat products.

CORE PRODUCTS

"Manufacturers are looking for much faster results technologies to solve problems more quickly, partly because Government regulations are demanding much swifter action to find and tackle problems," he says.

To focus more closely on the core product areas that it has identified, earlier this year the company sold its loss-making life sciences division, Russkin Technology to its management for £1.05m. This subsidiary was operating in the medical field, developing systems for enhancing the study of cell interaction, and as such was seen to be moving in a different direction from its parent. Biotrace retained a 10 per cent stake and the company is staying in Bridgend, moving into the former Sony

plant and creating a further biotechnology presence in the area with an emerging involvement in in vitro fertilization (IVF).

Growth is expected to come not just from the existing product range but also from new acquisitions, including Microsafe, an Italian-based maker of industrial microbiology and life science products and services for the food, pharmaceutical and defence sectors. Biotrace has also made a number of moves designed to increase market penetration, including the purchase of the remaining share it did not own in Target Diagnostics, its Italian distributor, and a deal with the big US corporation, Pall. Under a five year agreement the company will market Biotrace's Ascotec airborne bacteria detection systems.

This deal, and others that will follow, will, according to Ian Johnson, give Biotrace high credibility, something its successful record of nearly 20 years making products vital to the success of a range of industries has already delivered.

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trailer blazing

After almost half a century in business the North Wales company's trailers now reach a wide range of users across world markets. As competition from manufacturers in lower cost countries increases, however, the family-owned business is determined to stay ahead through good design and product innovation.

Profile

Company	Ifor Williams Trailers
Sector	Equipment
Location	Corwen

It's one of those names that almost any motorist will have seen ... many times. For those drivers who spend their time reading marques, makes and registration plates – a frequent pastime among travellers on Britain's overcrowded roads – Ifor Williams Trailers will, quite possibly, be nearly as familiar as Ford, Rover or Nissan.

But, ask where this successful designer and manufacturer of trailers is based, or how many people the company employs, and, more than likely, there will be a hesitant response. This is a UK market leader in its field that remains coy about its success and reluctant to publicise its success.

Yet, Ifor Williams Trailers can tell a great story. The firm, based at Cynwyd, near Corwen, employs nearly 600 people, making it one of North Wales's biggest



employers. It is well on the way to making its half-millionth trailer. It can, when the pressure is on, produce more than 1,000 trailers a week, though the average figure is around 700 units. Around 30,000 customers a year choose Ifor Williams products, which are distributed worldwide to a customer base that ranges from farmers to show-jumpers, from builders to plumbers, from holiday-makers to furniture removers. Their success is based on a determination to stay at the forefront of the design of new and innovative products.

HALF CENTURY

The company is limbering up to celebrate its first half century in business, a milestone it will pass in 2008 and, perhaps most notably of all, the business has been built up without relying on financial support from the public purse,

The strongest links are with the equine leisure market, with around 150 horseboxes a week rolling off the production line at the relatively recently opened facility at Deeside. While those horseboxes may be the most easily recognised products in the company catalogue, the rest of the range includes livestock, general purpose, tipping, plant, flatbed and box van trailers, as well as



farmers and others needing to transport animals to meet new animal welfare and transport laws that come into force in 2007. These are aimed at minimising the leakage of liquid waste on to roads and other surfaces, reducing the health risks to humans and other animals from animal droppings.

For the building industry the company supplies flatbeds and tippers that can carry plant up to a total gross weight of 3500kg.

"That's something like a mini-digger plus trailer which could easily be towed by a Land Rover Discovery, or similar vehicle," notes Andrew Reece-Jones. *"This sector is simply huge for us and we deal with some of the biggest construction companies, down to the small, one-person operations. As a result, we have a range of different*

portfolio of products, with customers already able to select from a range of wheels, couplings, sides and so on. When the opportunity arises, however, the company can offer trailers outside its usual standard product range, specially designed and built to tight customer requirements and demanding specifications. A military contract was recently completed for almost 1,500 trailers. *"We delivered all the trailers to a very precise specification and schedule to a very satisfied client,"* reports Andrew Reece-Jones.

MARKET LEADER

Ifor Williams has perhaps surprisingly become market leader without extensive marketing or advertising. Its main selling tool is its network of established

throughout Europe – including Iceland – and as far a field as Israel, Australia and New Zealand. Some distributors have self-managed sub-distributors and the development of this comprehensive network has mirrored the successful expansion and development of the company itself.

Competition, however, remains fierce and, to meet this, effort has been put over the past decade into producing more trailers more efficiently. *"We've concentrated hard on strengthening our management team, right through finance, design, development, sales – the whole structure of the company. No one employee is pigeon-holed but is encouraged to achieve his or her full potential in whatever field they wish to progress in. Employee contributions, in the way of ideas for improving the way they work or for increasing efficiency on the shop floor, are very much encouraged. 'The result,' suggests Andrew Reece-Jones, 'is very real progress, which has all hinged on the success of the product, the efficiency of our production systems, and of course, the workforce.'*

The company uses the latest CAD/CAM – computer-aided design and manufacturing – facilities and customer opinions and research are taken fully into account when new products are being developed. A large proportion of the parts used, including axles, chassis and most body parts, is produced to the company's own designs and specifications. Other parts are purchased from approved manufacturers that have met the stringent demands of the company, which operates to ISO9002 quality standards.



acquiring its reputation instead through determination and sheer hard work.

"Ifor Williams started the business in 1958, mainly constructing trailers for local farmers," says Andrew Reece-Jones, the company's design engineering manager, *"and it has snowballed from there. This is now a multi-million pound, family-owned operation delivering products all over the UK, Europe and the rest of the world."*

pick-up canopies. With all the possible variations on the trailer theme, more than 1,000 variants are available.

The firm also supplies other parts of the leisure industry, producing a range of box vans such as caravans and trailers that can transport anything from disco equipment to potted plants and antiques to supplies for small retail outlets. Car trailers and livestock transporters are other products. *"It might be something to transport a racing car to a circuit, and if it all goes wrong, we produce trailers used by vehicle recovery companies, not to mention the trailers used by car delivery people,"* says Andrew Reece-Jones.

A recent innovation is a trailer with an internal sump to make it easier for



types of trailers all suitable for specific niches within the overall market."

Bespoke treatment of standard products does not form part of the

distributors, which the company claims is not matched by any other similar manufacturer. Those distributors are located across the UK as well as

"We are finding that the lower cost of production in many parts of Europe is making it much harder for us in certain markets. These lower cost operators are expanding their sales into the UK as well"
Andrew Reece-Jones



Raw materials come from as far a field as China, Thailand and Malaysia but quality control remains key. "Everything we do has to relate back to the highest quality products, which will enhance our reputation. With that in mind, we have a much defined focus on the quality of manufacturing which is reflected in the rigorous controls we have in place to safeguard our purchasing," the company says.

High levels of investment have been maintained to ensure product quality remains high. An on-site galvanising plant gives the company total control over the quality and efficiency of chassis production at Deeside and further investment at both Deeside and Cynwyd will bring improvements in manufacturing methods, materials handling systems, products and customer services. Heavy investment has also taken place in manufacturing technology, including automated material stocking systems and extensive use of computer numerical control equipment (CNC), including lasers, plasmas, punches and presses.

Competition now comes from an ever-wider range of countries, "Some of our competitors cannot compete with the quality of the product and the efficiency of our production but we are finding that the

lower cost of production in many parts of Europe is making it much harder for us in certain markets," Andrew Reece-Jones observes. "We're now beginning to see those lower-cost operators expanding their sales into the UK. We're used to that overseas. It's something rather new at home."

"We face stiff competition from Eastern European competitors in this field, too. We recognise that and we're not the only UK company currently under pressure as companies cut costs by sourcing components from China and India. We know that our components are copied and are sourced from manufacturers well outside Europe."

RELEVANT SKILLS

The company is responding with the development of new products and is seeking to enter new markets. "We are developing our spare parts business and (with the imminent arrival of a new spares catalogue) hope to see an increase in this sector of the business. This may lead to other additional items, associated with trailers becoming available through the network," Andrew Reece-Jones says.

Future growth, however, assumes that relevant skills will be available locally. "In the engineering world, it is not easy and we set ourselves a difficult task. We need people who live nearby or are prepared to relocate. They need the right aptitudes and qualifications and the ability to understand engineering. There are plenty of engineers out there but the right ones tailored to our requirements are hard to find. We certainly advertise locally and nationally for engineers and will offer all necessary training," according to Andrew Reece-Jones. "The company employs the highest calibre of

people in all areas of the business, but finding people of the right standard can sometimes be challenging, particularly personnel in the engineering and management areas."

Individuals who can pass the company's aptitude tests are able to secure attractive rates of pay, which the company claims are above average for North Wales and the North West. In the process, a significant contribution is made to the local north Wales economy. "We are seeing people travelling from much further afield, attracted by our excellent salaries," says Andrew Reece-Jones. "In the past many of our employees lived in the immediate area but as we have grown we have become much less reliant on the immediate area and are now attracting employees from as far away as Conwy, Flintshire and Cheshire."

The complexity of doing business across international borders and against manufacturers who sometimes appear to enjoy unfair advantages can be a further problem. The lack of uniform trading rules across Europe is seen a particular obstacle by the company, with some nations requiring vehicle-type approval before sales are permitted. "France is a good example," says Andrew Reece-Jones. "It requires type approval [before a product can be licensed for road usage] and French competitors are immediately at an advantage since they know and appreciate the regulatory expectations of the area. If a French company wishes to do business in the UK, no similar restrictions exist so it is far from a level playing field."

There are dilemmas, too, associated with being a medium-sized company. Small start-ups can rely on support both

financial and in terms of advice and support, while the very big players are often able to twist the arm of government to help them in their business quest, the company argues.

"There is a danger we fall into the trap of being either too big or too small to win support," says Andrew Reece-Jones. To date, the company has not received financial support other than funds generated through the business itself. The company's directors see the fact that growth has been generated internally as a strength. "As for external funding, it's down more to not qualifying for assistance rather than a reluctance to accept it," he adds.

CONSISTENT PATTERN

A consistent pattern of profits has allowed the company to grow to its present size and visibility at events, in factories and farmyards and on the highways. Indeed, there can be few places in the world where an Ifor Williams trailer is not serving a useful purpose. The diligent trailer spotter may already have added Japan, the Falkland Islands and the United Arab Emirates to his or her list.

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Profile

Company	Leekes
Sector	Retail and Leisure
Location	Pontyclun

If Gerald Leeke had enjoyed being an accountant, Wales would not have gained a multi-million business currently providing around 1,500 jobs. Instead, by moving swiftly into the then small family firm, J.H.Leeke, after gaining his qualifications, he has helped to transform a small retail business much like any other of its era into one of Wales's biggest retail and leisure operations with a turnover in excess of £90m.

From the day he joined what was then a builders' merchants in Tonypandy to the present day as the owner of three department stores, a hotel and golf complex, and Hensol Castle, a 17th century mansion close to St. Fagans to the west of Cardiff, Leeke and his fellow-directors have kept the business on a forward momentum. The Leeke "dynasty", including several members working within the business, is now one of the richest in Wales, according to the Sunday Times Rich List, with a family fortune running to around £70m.

The original business, which is now owned by family trusts, was a traditional builders' merchant, set up in 1897 by Gerald Leeke's grandfather, James Henry Leeke, from the front room of his terraced house in Clydach Vale. Gerald Leeke takes up the story. *"My father went into the business in about 1930. I was*

driving range

With its sites out of town, the Pontyclun-based retailer has escaped the pressures that have led over recent years to the demise of several of Wales's best-known department stores. It has also successfully added hotel, golf, and other leisure businesses to its portfolio of activities



training to be a chartered accountant and did not want to follow him but the day I qualified, I resigned from my job" Accountancy, he explains, bored him. "I didn't enjoy it. You could see from people's accounts where they were going wrong. They made the same kind of mistakes over and over."

So, in 1966, he joined the family firm, at the time employing only six people. When a railway goods yard in the Rhondda town, Treallaw, came up for sale, the Leekes bought it to build a home improvements centre. "Builders were not very happy at first, because we were selling direct to the customers instead of through them." The new business gained a foothold, however, and was in a good position to expand again a decade later.

The next break came with the development of out-of-town shopping as better road communications and, in particular, motorways made it possible for people to drive to shopping facilities where they could park easily to pick up bulky goods. Leekes saw an opportunity in locations catering for customers who would otherwise have to travel to the nearest big town but who might prefer to shop more locally if a suitable retail outlet was available that offered the range and quality of goods they wanted.

OUT OF TOWN

"We knew the motorway was coming through, at Llantrisant, and that people would welcome the chance to drive from

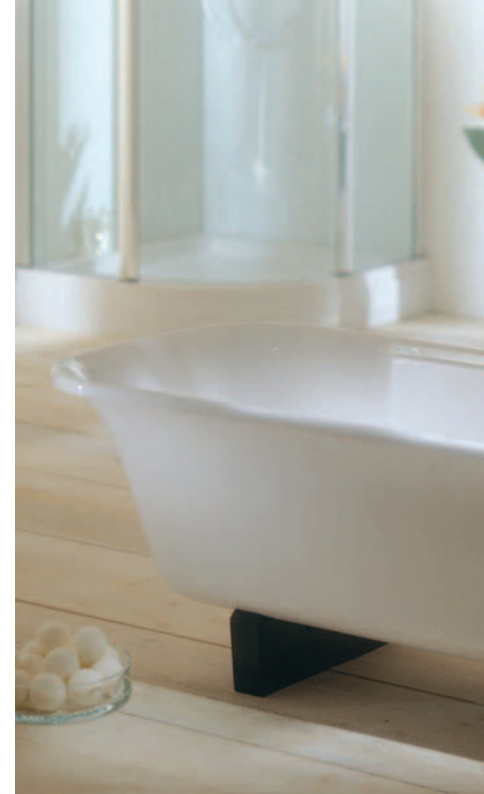
the Valleys nearby to pick up the goods they wanted," says Gerald Leeke. The company took over the former Sovereign pencil factory in Pontyclun. This was before UK chains such as B&Q had arrived on the scene.

The store was opened in 1977, followed by another in Cross Hands in 1984. But, instead of simply selling building supplies to cater for the do-it-yourself market, the stores also stocked furniture, kitchens and bathrooms. "Basically, men came for the DIY, the women for the furniture," Gerald Leeke says. Later, the range was extended further, to include carpets, home accessories and sportswear.

Like Pontyclun, Cross Hands in Carmarthenshire was chosen because of

its position close to the M4 motorway and the large numbers of people travelling from West Wales to Swansea to shop. The formula was applied again in the company's first foray across the border to Melksham. The Wiltshire town is only eight miles from the M4 and in a position to attract customers who might otherwise have to drive to bigger centres, such as Swindon or Bristol. The catchment area also includes a large number of wealthy potential customers.

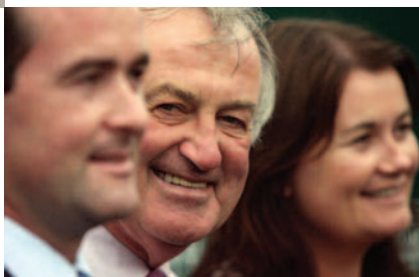
There are now plans for a fourth store in Worcester. "I see us drawing customers from Gloucester, Cheltenham, Malvern and other nearby towns and villages as well as from the south of Birmingham," says Gerald Leeke. The





company's head office in Mwyndy Business Park, Llantrisant, where it has its centralised warehousing and distribution facility, is well located to service these outlets. Turnover from the company's stores portfolio now exceeds £60m a year.

Parallel with the growth of the retail side of the business has been a move into another area driven by the social and economic changes of the past few decades, the growing interest in leisure pursuits and fitness. In 1994, the company took over a local golf club at Hensol, in the Vale of Glamorgan. "I live on the corner, nearby, and someone knocked on the door and asked if I wanted to buy the club. The business plan



did not make sense, as the place had almost gone bust."

Importantly, however, the club already had outline planning permission for a hotel. "Running a golf club on its own does not work. They are very costly to maintain, so you need other activities. Moreover, it takes about £2.5 to £3 million to build a golf course so you have to have other income within the business," says Gerald Leeke. The hotel was built and a second course was duly added in 2003.

"The members had been very supportive and I promised them that when we built the hotel, their tee-off times would not be affected. The hotel guests, of course, wanted to play at weekends. To honour the promise, I had to build a second course."

CUP FINALS

The Vale Hotel and Country Club venue is now well known as the location chosen by national rugby and football teams as well as Premiership clubs when they are preparing for big matches at the Millennium Stadium. Among the teams that have made the hotel their regular base for cup finals over the last few years while Wembley has been out of commission are Manchester United.

A keen amateur sportsman himself, Gerald Leeke also put up sponsorship to bring the world's top squash event, the British Open, to Wales in the mid 1990s. Squash professional, Adrian Davies, became involved and is now the resort's director of sales. More recently the leisure club activities of the hotel have been further extensively developed.

With the company's activities concentrated in the retail and leisure field, the company has not been able to draw on the support available to manufacturers investing in Wales and has financed its growth largely through internal resources and bank borrowings. "The attitude of the authorities in general is that retailers, as opposed to manufacturers, should stand on their own two feet and so any financial assistance tends to be out of the question. We have plenty of business acumen and experience

either in-house or, where necessary, through our own legal and accountancy advisers, and so the services on offer from the Welsh Development Agency and other government bodies have not generally been relevant."

The firm's steady growth and its ability to fund a growing range of projects in its chosen fields have, however, attracted the interest of potential purchasers and the financial community. "I am constantly being bombarded by offers either to purchase the company or to help with its funding, but we have always declined them and funded the expansion either by retained profits or through bank loans. Bank loans are, of course, the cheaper form of funding, and our very strong balance sheet has helped us to obtain competitive interest rates from HSBC. They have been very helpful for over 40 years."

Outside consultants have been used to advise on particular projects, including the development of leisure facilities. "We brought in KPMG as consultants, and their market research told us to create a leisure club in a town centre. They also said that it should have a membership of around 700-800. "We could see, however, that there was a boom in the sector, though I knew nothing about developing a leisure club. I could see that many people who lived in the Rhondda and Llantrisant worked in Cardiff. I knew they'd prefer to come to somewhere that was halfway home, or halfway into work, and be in this lovely area."

The club, the facilities of which were developed with the help of consultants from top London spa, The Sanctuary, now has more than 5,000 members and a turnover between £10m and £15m a year.

The latest big project has been the purchase, believed to be for a total of £5m, of the Hensol Castle estate. Previously a long stay hospital owned by the NHS and subsequently used for conferences, the 'castle' is actually a 17th century Grade 1 listed building. Within two or three years, it will be a luxury spa hotel, incorporating holiday apartments and residential accommodation. "It will cost about £60m to renovate the castle, turn it into a destination spa, build 20-odd bedroom suites, as well as libraries, restaurants, pools, apartments and a holiday ownership village," says Gerald Leeke.

LISTED BUILDING

The project is now moving forward despite some early complications. Leeke bought the estate in 2003, and entered a period of difficult planning negotiations. The 60 apartments have been included at the insistence of the local authority, which required a housing element in the plan. Work will also include an ecological strategy for the landscaped grounds, lake and serpentine pond, and will involve liaison with Cadw, the Welsh Assembly Government's guardian of Wales' historical environment.

Gerald Leeke is confident the project can be managed successfully. "We built two golf courses, and I didn't know anything about how to do that when we started. We learned as we went along, and because we had gained such a lot of experience from building the first, the second was easier."

"The general public prefers something different. More sophisticated shoppers are fed up with every town centre or shopping mall containing the same national retailers" Gerald Leeke



The Wales Tourist Board, which was not involved with the previous hotel, leisure and golf club projects, has contributed around £200,000 towards the £3m plus cost of the new National Golf Course of Wales. *"I believe that our support for Ryder Cup Wales and our assistance in manning Wales Tourist Board stands in Europe and the US helped to secure their assistance."*

The company has built its success in the highly competitive retailing field at a time when many department stores have been struggling. In Wales Swansea's David Evans, part of the House of Fraser group, B.J. Jones in Lampeter, Dan Evans in Barry and David Morgan in Cardiff, all businesses with a history stretching back to the nineteenth century, have closed. In these cases changing retail patterns, including the growth of out-of-town shopping malls and the spread of the internet have been blamed. In the case of the independents the difficulty of competing against the bulk-buying power of the big chains has also been cited.

Leeke's strategy of serving areas previously lacking access to department store retailing from out of town sites close to motorways has clearly worked but Gerald Leeke believes attention to detail and, in particular, choice and range of goods has also been important.

SKILLS TRAINING

"Some department stores decide they are going to open up a new 'department', but it might not have the range people would expect with perhaps only a few models on offer. We make sure we have a good range, of, say, kitchens or

bathrooms, and we have staff that know the stock. If customers are buying a three-piece suite, they are probably going to redecorate the room as well. We employ interior designers who can help when people are apprehensive about colour, for example. If a customer is choosing a new fitted kitchen, staff will show them tiles. Every department has staff who are specialists." A total of more than £500,000 a year is spent annually within the group on training to ensure these skills are available.

"Retail gets more and more sophisticated. Our new information technology system, for example, cost more than £1m, and that required more training for everyone." The investment in IT means customers can be tracked through a comprehensive database. This makes it possible to target customers with incentives to revisit the store if there has been a gap since previous purchases.

"The attraction of department stores in the past has been the ease of finding 'everything being under one roof'. The modern shopping mall achieves that through its collection of separate retailers. The only way we can counter this is to have individual departments that are able to compete as specialist shops with sufficient expertise, wide ranges of merchandise and friendly, well-trained staff.

Continued success will depend on being able to continue to match the price and quality of goods available in the big out-of-town shopping centres and on the internet. *"To succeed in the future we will have to keep expanding in order to*

improve our purchasing power and reduce head office costs, and we will have to improve staff training, customer service and our product offers." Gerald Leeks is confident, however, the group's formula can go on being developed and will continue to work. *"The general public always prefer something a little different and the more sophisticated shoppers are probably fed up with every town centre or shopping mall containing the same national retailers."*

"Luckily, we already have sufficient purchasing power to obtain competitive buying prices from manufacturers and we were ahead of most retailers in visiting and sourcing products from the Far East. We have built up a very good relationship with manufacturers in China, Malaysia, Thailand and Vietnam, and with the quality of products continually improving and with excellent prices and ranges, importing has become an important part of the business. If it costs £100 to make a product in Italy, it will cost around £70 in Eastern Europe – and £50 in China. Those differences are remarkable."

SUCCESSION PLANNING

In many family-owned businesses succession planning can be a problem, particularly if an upcoming generation has decided to move into other fields. In the case of Leekes, however, younger family members have already taken over a number of senior positions after acquiring expertise outside the business. Emma Leeke has had 12 years experience as a buyer with Marks & Spencer, and Joanna has had buying experience with Next. Steve Leeke is in the hotels division and Chris works on the company's IT

The philosophy now remains much as it always has since Gerald Leeke arrived forty years back. *"The business has been consistently profitable for nearly 100 years, and over the last 10 years or so, the senior management has been strengthened by experienced individuals both from the family and outside enabling us to modernise and improve. We have to keep adjusting and improving!"*

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abiding impressions

Wales's biggest printer, based high above Merthyr Tydfil has survived the ups and downs of the printing industry for nearly 100 years. To do so it has had to invest heavily in plant and training and to prove its flexibility in a quickly changing and ruthlessly competitive marketplace

Profile

Company	Stephens & George
Sector	Printing
Location	Merthyr Tydfil

Andrew Jones is a man with a highly attuned survival instinct, something that is really needed in one of Britain's most competitive industrial sectors.

As managing director of Stephens & George in Merthyr Tydfil, he now presides over a family-owned business that has grown to become Wales's biggest printer (though still only around 128th in the overall UK list out of 15,000). With 235 employees it is also one of the biggest employers in the heads of the Valleys town.

Founded in 1912 in Aberdare, the business made the move over the hills to Merthyr in 1969 where it now occupies a modern factory on top of a hill, looking back towards Dowlais, the iron town cradle of the industrial revolution in Wales. From this location some of Britain's biggest business-to-business magazine titles fan their way out to subscribers all over the United Kingdom. Stephens & George itself is responsible for putting 11m packages into the postal system every year.

CUSTOMER BASE

Two thirds of turnover comes from magazines, which the company started producing in 1979, with a further 25 per cent coming from commission work – one-off items for clients – and the remainder from contract binding.

Turnover, including a small amount of inter-group trading, is now in excess of £20m, having first reached £1m as recently as 1984. The customer base is spread throughout the UK and Ireland and is serviced by a ten strong sales force.

Stephens & George has survived to approach its 100th anniversary in an industry that closely mirrors the country's economic cycles. When the economy goes into reverse, companies feel the pinch and cut back on their advertising. The pain is felt directly by magazines, which immediately cut their pagination, or in some cases cease publication, with knock-on effects for the printing trade. Other printing requirements also fall back during any economic downturn.

In the past couple of decades the print industry has suffered two severe downturns. In 1991 after the first Gulf War, business evaporated, creating large swathes of overcapacity across the sector, which only recovered in the late 1990s as internet fever took hold and advertising took off again. The bursting of the dotcom bubble in 2001 brought another savage industry downturn. Conditions at present, according to Andrew Jones, are still "severe", with most printers reluctant to ask clients for increases to match extra costs simply for fear contracts will be put out to tender and lost to rivals desperate to acquire business at any price.

In Wales as elsewhere there have been casualties. St. Ives, one of the two remaining big public limited companies left in UK printing, upped sticks from its

Caerphilly works, where it produced a range of consumer magazine titles, and retrenched back to its English plants. Welsh company, Colourprint UK has recently announced the concentration of its print production in Milford Haven with Cardiff handling finishing work and its sales and estimating operation.

Stephens & George itself had a near death experience in 1991 when its then bankers unexpectedly demanded the repayment of its £750,000 overdraft in seven days. The company, Andrew Jones observes, was forced to sack employees and sell assets, including company cars, and had to persuade its customers to bring forward payment of their bills by 30 days.

The company survived (and subsequently changed its bank) and has used the lessons it learnt to put itself on a sounder footing to continue to win contracts in trading conditions that remain highly demanding and seem likely to stay that way. Under the leadership of Andrew Jones, who took over from his father Gareth, the company has recognised that survival and investment go hand in hand.



The company has moved to its new premises and re-equipped completely at a total cost of £12m. One of the latest pieces of kit, a new binding plant costing £2.2m, enables the company to carry out binding for other larger printers who send unbound magazines to Merthyr for this purpose. The demand arises because in many companies full-out printing capacity, called into use ahead of big printing seasons such as the months leading up to Christmas, can substantially outstrip binding. Rather than install more binding capacity themselves the large printers would prefer to contract out these requirements.

BINDING CAPACITY

The ongoing investment programme, which is being supported by Regional Selective Assistance grants from the Welsh Assembly Government, has made a big difference to profitability, Andrew Jones reports. One of the quirks of the printing industry, however, is that with most of the items produced being highly time-sensitive, equipment has to be doubled up to ensure jobs can be switched in the event of a breakdown. A magazine producer whose monthly run fails to reach subscribers on time is unlikely to be forgiving.

Stephens & George has also worked hard to introduce management efficiencies in a bid to improve profit margins, currently running at around 4 per cent and below the sort of profit levels most public limited companies would find acceptable. To cope with the variable workload that all printers face, with pre-Christmas publications, holiday brochures and other seasonal work all

leading to times of extreme busy-ness followed by other more slack periods, the company has agreed the introduction of annualised hours with staff.

Under this system wages remain constant but employees can be called upon to put in extra time when the workload is busier and to take more time off when this is not the case. A management information software package from the automotive industry has also been introduced through IT supplier, Wasp IT of Nantgarw, 20 miles to the south on the A470 and this is also helping to make operations more efficient.

The company has received support from the Assembly Government and other public agencies in Wales but has not always found the processes easy. Andrew Jones is not convinced either that the most appropriate support measures are in place. The grant application procedures, including preparation of plans that would satisfy civil servants, is described as onerous, a problem the company solved eventually by using consultants, Deloitte, to advise. Grants totalling £3.6m have been awarded to the company, payable as spending occurs on new machinery, facilities and of course new employment.

The grants regime needs, however, to be improved, Andrew Jones believes, if companies like his are to prosper. "We need to be given more favourable tax treatment for investing in high cost capital equipment. It is ridiculous, too, that corporation tax has to be paid on the grants we receive." A lower overall corporation tax rate would also help, he believes.

The company, Andrew Jones points out, has to compete in a national UK market and pay the same wages as other businesses in more prosperous parts of the country, yet because property values are lower borrowing costs can be higher. This problem arises because in London and the South East security is provided by the value of the buildings businesses occupy. By contrast the economics of the area mean that Stephens & George's factory, purchased on a 15 year mortgage, is worth less than it cost to put up.

BANK LOANS

After its falling-out with its previous more unsympathetic bankers, Stephens & George now has a good relationship with Bank of Scotland (which took the company's account over on acquiring the Bank of Wales). Most of the company's financing requirements have been met through normal bank loans and finance agreements, and from private sources, and this pattern is likely to remain. Venture capital companies have made approaches from time to time with offers to finance expansion in return for equity. Their demands are seen by the company as rapacious, with sizeable chunks of the company's equity being demanded in return for little more money than would be needed to buy one new machine. Similarly, the company is not convinced it would raise enough money from a float on one of the London markets to justify taking the decisive step of effectively handing over control of the business.

Though the company has a loyal workforce, there are problems associated

with operating from Merthyr Tydfil. Senior management positions are difficult to fill, with some employees travelling from as far afield as Newport and Swansea. Two highly skilled printers commute weekly from Birmingham. Other skilled labour and services also often have to be brought in from outside the area.

To meet its demand for skilled machine operators, the company has turned its back on a British Printing Industry Federation (BPIF) two-year traineeship scheme and gone back to apprenticeships. The scheme was introduced, Andrew Jones, points out, because the five-year apprenticeship, later reduced to three years, was considered too long. The unintended consequence of the new scheme was that individuals who had completed two years were expecting to go on to the rate for fully trained printers when their training was in fact still incomplete. The company now recruits apprentices to meet demand and currently has about 10 in training.

The company also takes in adult trainees and provides them with a slightly different training reflecting the fact that they will usually have worked somewhere else and will already have acquired transferable skills and positive work attitudes. Andrew Jones sees difficulties arising, however, with new age discrimination legislation. The company would like to keep workers on beyond 65 but is faced with a Catch-22 situation. Not to give these employees the death-in-service benefits available to other employees would, he fears, amount to discrimination. For employees over 65, however, the insurance companies insist on exorbitant charges.

Other challenges facing the company include the growth of the internet, which could over the longer-term result in a decline in demand for the printed page, (though newsagents' magazine shelves suggest this is hardly happening yet). Andrew Jones, however, believes the two media – internet and print – will continue to have complementary roles for a long time to come yet.

ACQUISITIONS

Output from the Merthyr plant runs at 15,000-25,000 pages a month depending on the time of year and the limitations of the site mean further expansion there is probably ruled out. The company has, however, set a target of reaching a turnover of £30m which could lead to a further 100 jobs being created. Growth could come, Andrew Jones believes, through acquisitions, leading to a further much needed rationalisation of the sector in Wales, but the opportunity would have to be the right one.

Printing is an industry in which Wales could do well, he believes, but clearly it needs strong nerves if any individual company's impressions are going to be abiding.



"The grants regime needs to improve if companies are to prosper. We need to be given more favourable tax treatment for investing in high cost capital equipment"
Andrew Jones

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Seeding Success

The Powys-based quoted company has been a major force in the consolidation of the agricultural supplies sector over recent years, acquiring companies in Wales and in England. It has also staked out a position in retailing through its own chain of outlets serving farmers and other countryside dwellers.

Profile

Company	Wynnstay
Sector	Agricultural Supplies
Location	Llansantffraid-ym-Mechain

It is a village with one of the longest Welsh names, which few even of Wales's inhabitants could confidently place on the map, but it is home to one of the country's most successful Welsh League football sides of recent years – The New Saints (TNS) – and to one of Wales's biggest domestically-owned companies and among the biggest private sector employers in rural Wales.

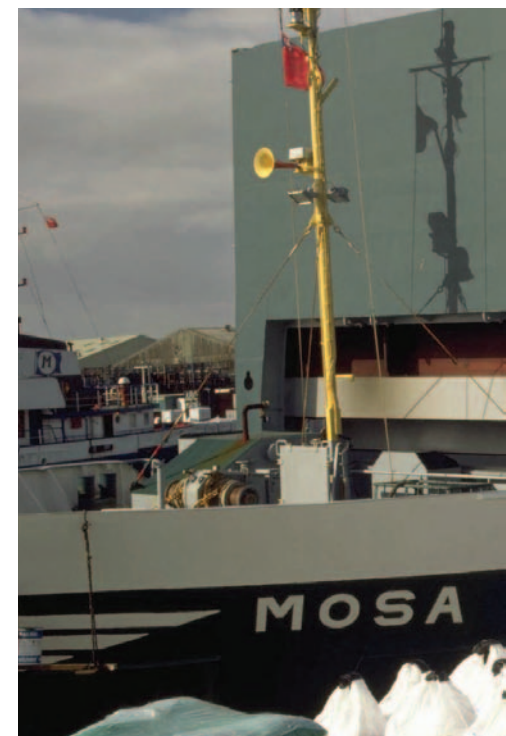
Llansantffraid-ym-Mechain is not much more than a dot on the map in the rolling Powys countryside on the road from England's most Welsh town, Oswestry, to Dolgellau but it is here that the mighty Wynnstay Group, now a diversified agricultural supplies manufacturer and distributor, and retail outlet operator, has its headquarters and main animal feed plant.

With its origins as one of the agricultural co-operatives set up all over Britain by farmers more than a century ago to ensure they were not at the mercy of sometimes

unscrupulous commercial feed merchants, Wynnstay has grown through a series of mergers and acquisitions to become one of the main forces in the consolidation of the sector, with operations well beyond supplying farmers with their needs, and



well beyond the borders of the old county of Montgomeryshire. Moreover, its determination to try to be a leader in that process has helped it to avoid being a footnote in history itself and instead



remain a major employer and contributor to the Powys and wider Wales economy, employing more than 400 individuals directly and a further 80 in joint ventures.

As Bernard Harris, the managing director explains, some of the most crucial steps were taken in the early 1990s. This was a time when mutuality – ownership by the membership of organisations – was beginning to come under pressure, with building societies, anxious to raise funds

for expansion into other banking activities, leading the charge towards public limited company status.

Wynnstay, which had amalgamated with a neighbouring co-operative, Vale of

With some difficulty the farmer shareholders were persuaded that a change to public limited company status was the way forward and this step was taken in 1992. The illiquidity of the



Clwyd Farmers in 1989, was itself feeling the constraints of co-operative status and not receiving a particularly sympathetic hearing from its banks. *"The bank took the view that if the company needed to be refinanced, as was then the case in order to finance its future growth, the farmer shareholders should do so."* In practice, it was, of course, very difficult to ask farmers struggling to find the funds to invest in their own businesses to stump up cash for Wynnstay.

shares – sales could only be made when matched buyers and sellers could be found – represented a serious drag on the share price, which after a few years had risen to only around £1.60 from the original £1 price, representing what was felt to be a serious under-valuation of a basically strong business. As a result a further move was made in 1995 to join Ofex, then the third tier exchange behind the Stock Exchange and the Alternative



Investment Market (Aim). In 2004 another move was made, this time to Aim itself, raising a total of £1.5m to fund Wynnstay's growing activities.

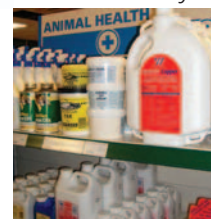
Farmers, mainly in the areas of the co-operatives that have merged to form Wynnstay, including Eifionydd in 1994, still own around 75 per cent of the business but the remaining quarter share of the company is now in the hands of other investors, including City of London institutions.

JOINT VENTURES

The business now focuses on two main activities – agricultural supply and rural retailing – but has also used a string of joint ventures to extend its reach into other ancillary areas. In 2005 in a highly complicated deal that had to be engineered out of the failure of another business, W & J Pye, Wynnstay joined with Carrs, Billington to acquire trade carried out under the Bibby Agriculture name in Wales and the Borders.

The new business, which is 50 per cent, owned by Carrs Billington, 25 per cent by Wynnstay and 25 per cent by Welsh Feed Producers, itself a joint 50-50 venture between Wynnstay and Carmarthen-based CCF, has already consolidated production facilities to achieve economies of scale in distribution. The new grouping manufactures and distributes some

420,000 tonnes of compound and blended feeds a year. Wynnstay is providing 160,000 tonnes a year of materials to farmers in its supply area from its Llansantffraid plant, having closed down a Pye-Bibby factory in



Shrewsbury, and Welsh Feed Producers supplies its area with 90,000 tonnes from its Carmarthen mill.

"This was an important strategic move for Wynnstay in that it helped us to reduce the oversupply of animal feed that continues to affect the industry, to assist in economic fleet management and to enable the company to manage the supply of feed in a more efficient manner," Bernard Harris says.

The process has continued more recently, with the £2.5m acquisition of Glasston Group, based at Glasston dock near Lancaster, which blends fertilisers and manufactures pet and other speciality products. The company had sales of £36.3m in the latest financial year and is involved in the importation, shipping and trading of 346,000 tonnes of animal feed materials as well as the blending and distribution of 55,000 tonnes of fertiliser products. It is also a manufacturer of pet and speciality products. For Wynnstay the purchase complements the activities of its arable and feeds division supplying feedstuffs, seeds, and fertilisers to farming customers but just as importantly also widens Wynnstay's geographical reach, bringing it new customers in the north of England and southern Scotland.



Being a listed company

involves a lot of time-consuming activity but involvement with the City of London is stimulating. We have chosen to play in the Premier League"

Bernard Harris

Aim listing has opened up expansion possibilities such as this for Wynnstey but has drawbacks as well, Bernard Harris admits. One of these is the difficulty analysts sometimes have in understanding the strategic choices the business is making and the prejudices they can bring to bear against certain types of business structure – in this case one with more than one main activity, a sign the City is inclined to interpret as muddle, however clear-sighted the thinking behind it. The City, too, Bernard Harris argues, is obsessed with sales growth and is inclined to interpret lower turnover even if accompanied by higher profits as a step backwards.

Wynnstey itself sees business benefits from being a strong survivor in its traditional business, agricultural supplies, even though the market has declined in recent years as a result of the pressures on farming and to some extent the switch to organic farming, where fewer inputs are required. The total fertiliser market in the UK (where it has a five per cent share) has, for example, fallen from 7.2m tonnes to 3.8m tonnes in the last 10 years, though this is mainly as a result of better environmental controls. Wynnstey takes the view that to be one of a small number of suppliers in a consolidated sector will enable good returns to be made, and is therefore a sound strategy.

The City by contrast is somewhat more enthusiastic about Wynnstey's expanding retail business where it now has a total of 25 stores in mid and north Wales and the English Midlands, providing a range of products for both farmers and the wider rural community, including hardware, equine and pet products, and country clothing.

The selection of this sector has been deliberate because it represents a niche that is not already heavily colonised and because it enables the company to deepen further its links with its predominantly agricultural customer base. A recent acquisition, Quins Farm Supplies of Newtown, a supplier of animal health care and nutrition products as well as general hardware items and a range of country sporting goods, including shotguns, has brought a previous competitor into the group and previous trade in its two stores has been relocated at Wynnstey's sites in Welshpool and Newtown, where the group last year opened a flagship new store on the outskirts of the town.

GARDEN CENTRES

Other retail sectors have been examined, Bernard Harris explains, including garden centres, but the margins achievable in this extremely competitive sector were too narrow, Wynnstey directors decided. *"Many traditional garden centres make very little money and are having to change their business model to become visitor destinations, offering everything from food to Christmas decorations, confectionery, greeting cards and gifts,"* Bernard Harris says. They are also beginning to experience renewed competition from do-it-yourself stores which are responding to the shrinkage in their basic market by extending into garden centre territory.

Wynnstey has chosen instead to invest in a supplier to garden centres, acquiring the Devon-based business, Foxmoor, which has four sites in the West Country growing and supplying pot

plants and shrubs to garden centres and D-I-Y sheds. Importantly for Wynnstey, the purchase of Foxmoor has also given it experience and exposure on digital television shopping channels, one of the outlets the plant grower uses to sell its products. This expertise could be developed to sell other products offered by Wynnstey through its retail outlets. The company has also linked with Channel 4's City Gardener, Matt James, in a special promotion to launch its Matt James Collection of plants. This has focused on a range of architectural, drought-resistant plants, a growing sector of the market. A new site has also been acquired in Devon to increase

capacity by a further 25 per cent, and further emphasis is being placed in Foxmoor's growth plans on architectural plants such as ornamental grasses and ferns.

Pet supplies offer another possible retail avenue that Wynnstey is exploring. Currently, the sector is dominated by Pets at Home, leaving even the big supermarkets such as Tesco trailing, a position Wynnstey feels needs to be challenged. The group is currently looking at making acquisitions in this field and aims ultimately to establish a standalone pet business and possibly also standalone angling stores. The group already has a specialist equine outlet in Warwickshire.

Joint ventures represent the other way in which the business has been extended, again not always to the plaudits from the investment community, which regards them as peripheral. Bernard Harris is convinced, however, of their value. Joint ventures, he points out, are a means of generating new streams of income but can also offer smaller partners an exit route where no obvious succession is in place. In addition to its share in Welsh Feed Producers, Wynnstey has a stake in Youngs Animal Feeds, a Staffordshire based company which distributes equine, pet and wild bird food, mainly to pet shops and equine sales outlets from distribution units in Merseyside and Cheshire and has a turnover of about £6m a year. A new plant to pack wild bird seed has recently been commissioned for sales in Wynnstey stores and to the existing customer base of pet stores and garden centres. A fuel supply subsidiary, Wynnstey Fuels, is 40 per cent owned by the group delivering agricultural, commercial and domestic fuel oils in Wynnstey branded tankers.

HOUSEBUILDING

Perhaps surprisingly, Wynnstey also finds itself a house builder in mid and north Wales through a joint venture, Wyro Developments, with local building firm, S.J.Roberts Construction. Initially developed to make use of surplus group sites, including a number of old railway sidings from which seed and other agricultural supplies used to be distributed, it has now its own land bank, currently estimated as sufficient for the next three years. The business is never likely to challenge the main house



builders but, according to Bernard Harris, has been growing quickly.

The units are all timber frame and sites within Powys incorporate a 30 per cent social housing element that is transferred to housing associations for disposal to first time buyers or others needing lower cost accommodation. Units on a recent mainly three and four bedroom property development at Abermule are priced from £90,000 to £300,000. Wynnstays involvement in this sector enables it to extract value from its surplus sites and to offer its 20,000 account holder customers a mechanism for gaining value from their own redundant buildings. The two partners also bring complementary strengths according to Bernard Harris, Wynnstay can offer land and finance while S.J.Roberts Construction can offer building expertise.

BRANDED PRODUCTS

The group is also backing moves by Welsh farmers to move downstream closer to the consumer through the development of branded products and is a partner in a new meat marketing venture, Celtic Pride, in which another strong Welsh business, Castell Howell, the Carmarthen based wholesale food supplier, is also a stakeholder.

Developments of this sort will be vital, Bernard Harris explains, if Welsh farmers are to fight off competition from the increasingly high quality producers in Brazil and Argentina.

In its last full financial year the company had modest (though still record) pre-tax profits £2.87m on turnover of £101m, with the three main



divisions, arable £36m (which includes advisory services, crop sales and seed processing at a plant in Shrewsbury,); feeds £35m; and stores £28m, all contributing roughly similar proportions. The £1 shares issued when the company went public are now worth nearly £10, valuing the business as a whole at more than £26m. Staff receive an allocation of shares shortly after joining the company and can acquire more through a Save as you Earn (SAYE) share option scheme and some have made significant capital gains as a result.

This year so far has proved difficult partly as a result of the introduction of EU Single Farm Payments (SFP), which although handled much better in Wales than in England, has still affected farmers' cash flows, with effects that are likely to take some time to settle down. A further impact will also come from the reduction in sheep numbers and hence sales, which will result from SFP. Energy price rises have affected manufacturing operations and consequent higher fertiliser prices have had a knock-on effect on sales. Further large scheduled rises in energy

costs will have to be accommodated from towards the end of 2006.

In announcing the company's half year results, however, the chairman, John Davies, forecast some recovery in the company's core agricultural activity in the second half. Livestock prices were improving helped by the lifting of the ban on the export of both livestock and meat products and this would feed back to the supply industry, he forecast. Increased concern over food miles and the long supply chain for imported food products that could be grown locally could also be beneficial to the UK agricultural industry, leaving the company optimistic that as a major force in the consolidation of the agricultural supplies sector it could continue to find growth within its core supply business.

In developing the company to its present size directors have relied heavily on internal resources, borrowing usually only to meet seasonal demands. The Welsh Development Agency (now part of the Welsh Assembly Government) has been generally helpful, Bernard Harris believes, particularly in making land available for purchase, but not a generous provider of funds for expansion. *"When there is a capital project needing to be funded the WDA would generally ask how many jobs it would create. Usually, such projects result in a stronger business but fewer jobs,"* he suggests. The Assembly Government, however, has, he believes, been a force for good in rural areas of Wales, showing understanding of the culture and needs of rural communities.

Further investment in communications in mid-Wales, is however, urgently needed, the company believes, for businesses in the area to prosper. The 112 miles between

Llansantffraid and Carmarthen where the company has its other feed operations can take three hours by car. Indeed, poor communications, according to Bernard Harris, has to be seen as a contributing factor behind the failure of some businesses to take root and succeed despite inducements in and around Newtown.

While the City can seem to lack understanding, the Aim quotation has been of benefit. The company secures tax benefits for shareholders but perhaps most importantly the listing is a stimulus to better governance and corporate social responsibility. *"Being a listed company involves a lot of time-consuming activity but involvement with the City of London is stimulating. We have chosen to play in the Premier League so that is fine, says Bernard Harris."*

CONSOLIDATION STRATEGY

The dilemma for the company now is whether to continue to regard serving its farmer customers – currently more than two thirds of its turnover – as its main priority or whether to chase a higher share price with a strategy that would tilt the balance more heavily towards retailing. At present the company says it will continue to look for acquisitions in order to continue its strategy of acting as a consolidator within agricultural supply, alongside continuing to develop its retail operations and joint venture activities.

There is also the prospect of a huge new market opening up through biofuels, a development that could herald a renaissance for farmers of rape and wheat, the main products likely to be used. Cargill, the huge US agrifood combine, is investing heavily in new plants in Britain and Europe to crush seeds and could be buying as

much as 700,000 tonnes of wheat a year from UK farms for its existing plant in Manchester, switching from imported maize. It has already formed a partnership with Tesco, the supermarket operator, and Greenegy the biofuels market leader in the UK, to develop biofuel blends for sale through petrol retailing outlets. This development could have a very significant impact on the agricultural supply market as farmers gear up to meet demand, Wynnstay believes.

Some changing of the guard is about to take place and this could influence the direction the company takes as well. Bernard Harris, who joined the company in 1980, is due to retire in the next year or so together with other colleagues who joined at much the same time. However, Bernard Harris, suggests, there is a good team 'on the bench' waiting to take over.

With farmer shareholders – a relatively conservative group – still a substantial majority, it seems unlikely there will be a lurch in a completely new direction or sudden abandonment or sale of any substantial existing activity. In a changing agricultural and rural environment, however, Wynnstay will, it seems, continue to evolve as it has done consistently over the past 90 years.

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new foundations

The bold decision by one of Wales's oldest companies to restructure itself, shedding some of its less profitable activities, has paid off. The family-owned construction business now finds itself well-established in a number of fast-growing niches and is winning orders from big clients outside Wales, including some of the biggest names in retailing and leisure



Profile

Company	Watkin Jones
Sector	Construction
Location	Bangor

Perhaps it is in part the legacy of slate – the material that once roofed burgeoning industrial towns and cities in Britain and beyond – but north Wales has a strong stake in the construction industry. David McLean is a big player in the regeneration of cities, and Redrow, its north-east Wales rival, is one of the UK's biggest house builders.

A less familiar name is Watkin Jones but it is still a multi-million pound family-owned operation that can trace its roots back more than two centuries spanning nine generations, making it easily one of the oldest companies with a record of continuous trading in Wales.

The first family member, Huw Jones, set himself up in business in 1791 as a carpenter, passing on his woodworking skills to his cabinet-maker son and grandson. The first Watkin Jones, born in 1842, also a skilled woodworker, branched into building, an area in which the family has been involved ever since. Indeed, the company has been family-run since it was set up more than two centuries ago with the lineage traceable from those days to the present, with a new generation waiting in the wings.

Mark Watkin Jones, who took over in 2001 from his father, Glyn, now heads the company, which employs 237 people. They are based at their Bangor headquarters with other offices on St Asaph Business Park alongside the A55, and over the border in Manchester – a move described as a natural progression into a neighbouring big business centre.

Yet, while the growth of the company in the last decade or has been rapid, it has not been without its challenges. *"We didn't really plan to grow the way we did,"* says Mark Watkin Jones, winner of the 2005 North Wales Business Person of the Year award. *"As a result, we ended the financial year in 2002 having turned over £127m but a profit of only a little over £3m. That's a lot of hard work for not much reward. We felt, at the time, that the business was out of control."*

CASH FLOW

The directors took the bold decision to restructure the 210-year-old business completely.

"Over the next 12 months we halved our sales to £62m. That, naturally, had a marked effect on our cash flow. Of course, our creditors had to be paid but we virtually stopped our business in order to facilitate what we had set out to achieve. We also received considerable support from our bankers who obviously saw the wisdom of our plans. These had shown us that if we did less, we would make more profit."

That is exactly what has happened. Profits have grown substantially over the last four years and last year the company turned over £60m for a profit of £6m. *"At*



one point it was the business that was controlling what we were doing not us controlling the business. That has now been reversed. I'm happy with that since, as a private business, why should I kill myself running round the country and getting no reward for doing just that?" asks Mark Watkin Jones.

Recognition of the company's achievements has quickly followed. Watkin Jones was the only Welsh-headquartered company to be included in the Sunday Times PricewaterhouseCoopers Profit Track 100 national league table published in April

2006. This annual league table, ranking the UK's 100 private companies with the fastest growing profits over a three-year period, positioned Watkin Jones at number 51. Between 2002 and 2004, profits rose 74 per cent a year from an annualised £1.1m to £5.8m. In addition, as profits have risen, risk has been reduced, leaving the company to concentrate on those areas that give it the greatest returns.

The company has been formed into three main divisions: homes, construction and student accommodation. The list of clients includes many household names:

"It has to be good to work with big clients as we get to know them and understand their business needs. We can work through their problems, find solutions and minimise any risk to our own business"

Mark Watkin Jones



Tesco, Aldi, Lidl in the retail sector; Nuclear Electric, the Home Office prison service and the Welsh Development Agency, as well as local authorities in the commercial and manufacturing sector; Allied Domecq, Forte, Greenalls and Whitbread in leisure; and the National Health Service and a wide range of private developers.

"Construction was, perhaps, the most obvious division for us to create," according to Mark Watkin Jones. *"We operate largely in North Wales, branching out over the border into Cheshire, though for some clients we operate nationwide. We have been involved in Tesco's new ventures at Ruthin and Porthmadog as well as in Hereford and Burscough Bridge in Lancashire."*

WINNING THE CONFIDENCE

Winning the confidence of a major corporation, such as Tesco, so that repeat business follows is clearly of vital importance. *"It has been good to work closely with big clients as we get to know them and understand their business needs. That means we can work through their problems, find solutions and minimise any risk to our own business,"* says Mark Watkin Jones. *"The most recent store built for Tesco was trading just 11 weeks after we put the first steel up."*

The student accommodation division operates UK-wide, too, and is currently producing 1,500 bed-spaces annually. The operation is development-led with the North Wales company securing the land, working up the planning application, constructing the property and then selling on the entire package.

Housing development for the company has by contrast been an under-performer. Here, market conditions dominate, and in any slowdown the contractor has to be capable of adapting quickly. Watkin Jones decided it was not prepared to sell at a discount, buy up more land, build more houses and hope the market would improve so instead it took a hard look at what it was doing in this area.

CITY APARTMENTS

The result has been the development of a now well-established brand of up-market two- and three-bedroom homes for sale in North Wales and the border regions of North West England. Watkin

Jones is also recognised as a prime developer of apartments nationwide, with a number of significant developments centred on Nottingham and Manchester, as well as in other quality locations, such as Llandudno.

A separate move by the company into the sales-investment market at a time when the long-winded housing boom could have been teetering on the brink of bust could in retrospect be seen as brave, yet this subdivision of the homes sector has justified the risk by remaining buoyant. The company owns sizeable acreages in prime locations such as south Manchester, Cheshire and the North Wales coast and, according to Jones, 'is always on the lookout for new development opportunities'.



"Some say we're heading for a property crash," says Mark Watkin Jones. *"From our perspective, the market is buoyant and, while it would be foolish to try to predict one year ahead, never mind ten years, at present I would say we are on a high."*

"There is still a lot of money in the economy," he added. *"With interest rates so low, people will see a much better return on their investment as prices continue to rise. But this sector is closely linked to our student accommodation ventures. People are prepared to buy six-bedroom flats in student developments and thus spread their risk. To have six people paying the rent is much less risky than relying on one."*

A fourth division of the company is being developed, which will handle big contracts in excess of £20m. Rather than

expand other divisions to the point that the company could lose control, the plan is to manage projects and tender out contracts so other companies carry out work on behalf of Watkin Jones, a now familiar model within the construction sector.

Restructuring has been carried out with the strong support of primary banker, Bank of Scotland, which Mark Watkin Jones praises for taking the time to work with them and fully understand the business and what it was trying to achieve. The company remains resolutely in private hands and there are no plans to take it public, though this could change at some point in the future.



Strong links have also been formed with the public sector, including the Welsh Development Agency [part of the Welsh Assembly Government since May 1 2006], for which Watkin Jones has worked on a number of projects.



Mark Watkin Jones is adopting a wait-and-see approach on the absorption of the WDA into the Welsh Assembly Government. *"The WDA's advice has, in the past, been invaluable and they've always been supportive of business. Their knowledge base has helped us hugely but it seems we are going into a time of uncertainty. Merging all these institutions may seem to be a good idea but the WDA have worked well and I feel it should have been allowed to continue doing this good work. We've not had a great deal to do with other institutions but we'll watch to see how things develop."*

ENHANCING SKILLS

Public sector help has also been used for skills training, a vital issue for construction companies throughout Wales. *"We have been closely involved with ELWA [also part of the Welsh Assembly Government since May 1] and we work hard at enhancing the skills of our workforce, as staff retention is very important to us. We want to help people better themselves*



and move into other areas. We have helped to train people who have perhaps started work in accounts,

they have worked hard, moved into other parts of the company and created new roles for themselves. We are firm believers in the concept of loyalty. Give something to someone and there will be a pay-off if we ask for something back in the future."

Despite positive employment policies, recruitment poses a problem for the company, remoteness from the bigger population centres being one of the main factors *"Based in Bangor, we can mostly only attract people from east of here,"* explains Mark Watkin Jones. The company has responded by working closely with Coleg Menai in Llangefni, offering six scholarships each year so that 16 year olds can begin studying for a BTEC or HND in building. This is intended to create a supply of employees for the company as well as helping to raise the profile of the construction industry as a possible career path. To date, Watkin Jones

has not had to rely on a supply of workers from Eastern Europe but the company says it remains possible it will have to do so, if it continues to prove hard to combat what appears to be a dearth of local workers.

"It's all part of educating young people to understand

that it is possible to have a well-paid and secure future in building. The education system is very supportive but we need to do even more to attract high-quality people into the industry and we are doing all we can to encourage that.

The company also seeks to develop non-construction skills in other employees, but it believes some of the organisations set up to help companies locally are too attuned to the needs of start-up firms or very small businesses on the one hand, or companies where the workforce can be counted in thousands on the other. Medium-sized enterprises, Mark Watkin Jones argues, are puzzlingly left out of the equation.

PROFESSIONAL SERVICES

Although the company has in-house a wide range of relevant skills across most of the business sectors it requires, certain professional services – legal and accountancy in particular – have to be acquired from further afield and, and usually outside Wales, too. *"We tend to seek professional services in centres like Manchester, Liverpool or Cardiff,"* said Mark Watkin Jones.

"There are very few professionals in North Wales who have the expertise or experience to be able to cope with the size of projects with which we deal. Getting to cities in North West England is not so bad for us, if we need to but transport links between north and south Wales remain diabolical."

The company is one of many in north Wales that argue that it is easier to get London than to Cardiff. *"Fortunately, we have broadband connections at our office sites and everyone, from office junior to managing director and chairman, has a laptop or desktop computer. We encourage the use of the latest IT, whether for planning or design or office management."*

The company can look back at a business pedigree spanning more than two centuries. Handwritten ledgers from the end of the 19th century are still held which testify to a 'a bag of cement was sold to Mrs Jones'. Judging from the judicious planning that goes into Watkin Jones's present day dealings, the company's ledger equivalents seem to have every chance of being available for inspection in the 23rd century as well.

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city transformers

In only a few years a construction business set up to utilise some of the latest management and information technology approaches has quickly established itself as a force in the regeneration of south Wales. Its success has also been good news for other Welsh businesses joining its supply chain.

Profile

Company	Opco
Sector	Construction Services
Location	Cardiff

For a company formed only in 2001, Opco, the Cardiff based construction group, has quickly become involved in projects literally spanning the whole history of building in Wales.

All those who have passed Cardiff Castle in the course of 2006 will have seen the company's logo on the site of the new £3m two storey underground interpretation centre Opco is building for the castle's owners, Cardiff City Council. This sensitive scheme has already revealed not just post-mediaeval, Mediaeval and Roman finds, as might be expected, but evidence of pre-Roman activity on the site as well, making it one of Wales's oldest settlements.

CARDIFF SKYLINE

A few miles south in Cardiff Bay the company is working on a number of projects that in this case are helping to transform the skyline. Opco has worked on several phases of the £85m Century Wharf development by Westbury (now Charles Church) and, not far away from this scheme, is engaged on the architecturally bold Watermark development, 46,000 sq. ft. of residential accommodation rising ten floors and overlooking the bay. Other big projects in the area include work on George Wimpey's Isis development, which is helping to transform one of the city's oldest industrial areas, and conversion of the former Granary Store in Lloyd George Avenue.

With many of Cardiff's oldest building companies, such as W.E. Turner, now part of wider groups based outside Wales, Opco, with a direct workforce of more than 100, is a welcome addition to the list of companies based in the city, and a clear demonstration that the entrepreneurial skills to start successful businesses are firmly present. Only three years into its existence years the company was named as the 2004 top performer in the Fast Growth 50 award sponsored by the Western Mail and Deloitte, the business services firm. Turnover has grown to more than £40m (up from £27.8m in 2004-5) and the current order book stands at more than £100m.

LEISURE DEVELOPMENTS

South Wales remains the core area of activity for Opco with projects currently ongoing at Salubrious Place in Swansea, (a £11m contract spread over 18 months), an £8m leisure development, including an eight screen Vue cinema in Cwmbran, and the £9m St. Catherine's Corner scheme in Pontypridd. Business is now also being won outside Wales, often as a result of successful collaboration with big clients on schemes in Wales. Opco is currently converting a former postal sorting office in Exeter into another Vue cinema and has won work with Charles Church in Bristol on its Muller House scheme.

Opco's origins go back to the decision by its two founders to set up their own business bringing modern principles of management and the latest information technology approaches to a business sector full of financial and other hazards. Construction, as well as having to cope with all the other problems faced by business,

also has the added complication of having to factor in the possibility of delays as a result of bad weather, the possibility of geological or other unforeseen site problems, material deficiencies, supplier breakdowns and labour recruitment shortages, all of which can badly hit cash flow and cause banks and other financial backers to become nervous.

Nick Kelly, the chairman and managing director, had been managing director of UK building group, Balfour Beatty, in south Wales and knew the marketplace well. Originally he set out to buy a business that was staffed by competent individuals who understood the construction process and who wanted to utilize the best technology available for the benefit of the project. Failing to find a business that matched his criteria, he decided to set up his own.

He was joined by fellow director, Peter Jones, who had worked as commercial manager on some of the world's largest construction projects in some of the world's most exotic locations including Hong Kong, Barbados and Botswana. He had come back to Britain in 1999 and, after sampling major projects in London, decided to return to his native south Wales, again with the objective of forming a company that could offer clients a world-class construction service. He was able to bring to the new business expertise picked up in his previous posts in setting up and running businesses.

As the business has grown, it has attracted other experienced individuals, including Stuart Epps, the finance director, an accountant who spent four years as financial controller for M&C Saatchi, the UK's seventh largest advertising agency before moving to south Wales in January 2001 as finance director for National Britannia group, where he was responsible for

integrating an aggressive acquisition strategy and for reshaping the business structure and process. He joined Opco in December 2003.

In the construction industry generally in Britain, individual companies concentrate on providing the services they think they can best offer, working in partnership with other specialists, and this is the approach Opco also follows. It works with a series of major partners including house builders, Charles Church, and Ballantyne Homes, Powell Dobson, the Cardiff based architecture, urban design planning supervision and landscape design provider, and RVW Consulting, a privately owned engineering design consultancy.

SUPPLY CHAIN

On site Opco works with another range of partners, trying wherever possible to use Welsh companies. "We are continuing to try to build an in-Wales supply chain. We always want to contract to Welsh business where we can," says Stuart Epps.

These partners include Whitehead for mechanical and electrical engineering

services, Reussir for brickwork, GE Carpentry Services and Denver Construction Services, an architectural aluminium and specialist drilling contractor. Its kitchen supplier is Paula Rosa.

The business has grown to its present size from an initial £200,000 investment by the founders and has relied on LloydsTSB as its main financial partner. Public sector financial support has not been utilized by the business itself, though some of the schemes Opco works on receive some backing from public funding.

With work taking place on a number of sites and largely in the hands of partners,



Opco's headquarters staff are responsible for managing the processes and ensuring clients get the results – and the buildings – they expected. Much of the company's effort, therefore, has to be devoted to ensuring it invests in the skills of its managers.

"We create an environment where our employees can expect to meet fresh, exciting opportunities and experience the satisfaction of a job well done," Peter Kelly observes. This has meant developments such as the company's role rotation programme, where graduates and undergraduates are provided

with structured career development, exposing them to all the departments within the business. The consultancy, Lloyd Masters Consulting, is retained by the company to help improve core people skills, and puts on coaching workshops designed to help staff raise their skill levels and deliver greater value in their everyday work.

In a bid to ensure staff want to continue to work and make a career with the company, Opco assigns a coach to newcomers who has been trained to look after the new recruits' requirements and answer their queries. The company also runs its own apprenticeship scheme, which is now producing trained individuals able to run their own projects.

PRODUCTIVITY TOOL

The company has also developed its own productivity tool, OPCODE. "Opcode is a statement of the processes that underpin the running of our business. It ensures that we understand how the overall scope of the project and those of our commercial partners interact with our clients' business interests. By deepening our understanding of the overall project we are better equipped to predict project outcomes, increase productivity and deliver tangible financial benefits for our clients," says Peter Kelly.

Opco has also invested heavily in technology. All sites now have access to its central servers and the company is putting in place an intranet based administration system with OPCODE at its core. "We are actively working on the deployment of a business procurement and payment system, the installation of an in-house estimating functionality and the roll out of our site entry management system.

In addition, continued improvements are being made to our bespoke software defects management and activity monitoring," say James Coombs and Nigel Coulter, joint operations directors.

The company is expecting to benefit from continuing regeneration activity in Cardiff, and from its spread into other parts of south Wales, notably Swansea and Newport. It also plans to continue to extend its business portfolio, moving more deeply into commercial buildings. Around south Wales it has been responsible for building a large portal framed extension to Celsa Manufacturing (UK)'s rod mill at the Castle Works in Cardiff, and for improvements to French food group, Danone's Evian bottling plant in Abercraze, as well as a £10m project to build new offices, laboratories, clean rooms and warehouse facilities at DePuy CMW (a subsidiary of Johnson & Johnson) in Blackpool.

Passengers departing and arriving at Cardiff airport have also benefited this summer from the completion of a £4.1m expansion and redevelopment carried out by Opco. This included a new executive lounge and new walkways to serve new stands.

Just what the inhabitants associated with those early traces of human activity uncovered by Opco under the walls of Cardiff Castle would have made of that is anyone's guess.



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accented Insurance



Wales's biggest independent commercial insurance company has been at the forefront of the consolidation taking place within the sector, adopting information technology solutions and developing pioneering staff training methods to ensure it can continue to supply a local and personal service. This has established a strong platform on which to grow alongside the company's Welsh clients.

Profile

Company	Opco
Sector	Insurance Broking
Location	Caerphilly

To anyone interested in local league football or cricket in south Wales the name Thomas, Carroll will be very familiar. In local weekly or evening papers the two names are likely to appear on the sports pages most nights, not as a pair of opening batsmen or strikers but as important sponsors of amateur sport.

Its deals with the footballing and cricketing authorities are among a number of shrewd moves the Caerphilly-based insurance broker has made over recent years from its offices overlooking Britain's second biggest castle. In the process it has managed to emerge as an important force in the consolidation of the insurance broking sector in the area, acquiring companies itself rather than being swallowed up by bigger rivals.

Indeed, in only six years the company has doubled in size to employ more than 80 people and achieve a premium

turnover of more than £20m and turnover excluding premium of £3.8m, through organic growth and acquisitions both of other local brokers and experienced individuals, many of them either displaced or disillusioned by the take-overs that have occurred. A recent new arrival from broker Opus, now part of Willis Faber, the big US group, is Brynmor Williams, who, as well as bringing contacts with some of Wales's larger businesses, adds a rugby connection to the company as a former Cardiff, Wales and British Lions scrum half.

The company claims to be the largest independent commercial insurance brokers in Wales, and incorporates some 12 other small brokerages acquired over the past 10 years. Its strength lies in the services it offers to small and medium-sized enterprises with insurance premium spending of up to but usually well below £500,000 a year. Through its recruitment of Brynmor Williams and others, however, it has a strategy to develop much further in the higher corporate sector, hitherto the safe domain of national and international brokers.

COMPUTER SYSTEMS

Investment in information technology has helped to drive growth. A total of £300,000 has been spent on new computer systems and software with grant help totalling £50,000 from the Welsh Assembly Government, and this has enabled Thomas, Carroll to strengthen its links with the big insurance companies and to develop products that can be marketed through the big banks.

The company was founded in Cardiff in 1972 by Evan Thomas and the late Terry Carroll. Evan Thomas himself retired as chairman in January 2006 having previously wound down the bulk of his own shareholding in the company with transfers to the other directors, who are now the majority shareholders in the group. This ownership structure has given the company a strong degree of continuity, enabling it to focus both on maintaining a quality-led approach to business and to expand both its geographical reach and its insurance-related offerings.

The main focus is on small and medium-sized clients with whom a longstanding and loyal relationship can be built. *"Everything we do is quality based. Our market niche is combating the call centre mentality that permeates so much of business these days. Customers prefer to be treated as people and not policy numbers,"* says Rhys Thomas, managing director of Thomas, Carroll (Brokers)

Crucial to this has been the investment in IT, which has enabled the company to link up with the internet-based middleware operated by six big insurance companies – Allianz, Axa, Groupama, Norwich Union, Royal & Sun Alliance and Zurich – in what is known as imarket. This is effectively a portal offering entry into an online shopping mall where Thomas, Carroll agents can find the best deals for clients, organising renewals, adjusting policies and making amendments as required. All correspondence will in future also go through this route. For more complex cases the system enables the insurance broker and the provider to view simultaneously on screen the same information, making it much easier and quicker to resolve issues.

Use of the system is expected by Rhys Thomas to bring significant administrative savings, enabling the company to deploy its people on real hands-on customer service activities. *"We believe that with underwriting capacity to allocate being scarce, insurers look to support those brokers that show the ability to invest in the latest technologies,"* he says. Customers will benefit because the

elimination of duplication and reduced costs in working with insurers will make it possible to offer more advantageous pricing for insurance products.

STAFF DEVELOPMENT

IT has also been very important for the company's active staff development programmes. The Campus package developed by industry giant, Axa, the French company that now owns several of Britain's leading insurers, is on all desks, and staff members are encouraged to take relevant modules. These offer training in skills such as negotiation and can count towards insurance industry examinations. They also provide evidence to the Financial Service Authority regulators that the company is being run efficiently.

Feedback on training being undertaken and recommendations for further learning form part of six monthly appraisals. Staff are also encouraged to acquire industry qualifications offered by the Chartered Institute of Insurance (CII) and are given time off to study. Senior staff members have also been selected for appropriate management development, including MBA courses, and management courses offered by the Leadership Enterprise and Economic Development (LEED) unit at Cardiff Business School. The company also recruits at least one graduate each year and gives him or her the chance to learn the insurance broking business from the inside with assignments in various different departments.

Growth in the immediate period ahead is expected to come from

expanding into other parts of the south Wales market through organic growth across the region and best-fit acquisitions of businesses and/or people. Moves outside Wales are not being considered at present.

Alongside the broking business, Thomas, Carroll has developed a private clients division specialising in handling the household and motor insurance requirements of directors, other key individuals and their families. *"We recognise the unique needs of clients whose assets and, indeed, lifestyles mean that the insurance protection they require cannot be provided by off the shelf policies or the one size fits all direct approach,"* says Rhys Thomas.

The company also offers risk management services to its clients as a way of helping them to hold down insurance premium costs. Small and medium sized businesses, the company points out, run the risk of not being able to find cover unless they can provide evidence of an active risk analysis process.

A separate consultancy service provides an on site assessment, including a 325 point breakdown of essential areas from premises to vehicles, to security to employment conditions and contracts. From this a risk report is produced providing a precise record of the data recorded, with charts to help set priorities and an agenda for action. *"Risk management can mean lower premiums and it places you in a better light with insurers who see that you are among the cream of companies that have a risk management policy in place,"* says Rhys Thomas.



"Our market is combating the call centre mentality that permeates much of business these days. Customers prefer to be treated as people and not policy numbers"
Rhys Thomas

The commercial insurance broking business also stands to benefit from a relationship with Royal Bank of Scotland, which is providing new client introductions in the Newport, Cardiff, Swansea and Llandrindod Wells postcode areas. A pan-Wales campaign using the tag line *"Insurance with a Welsh accent – Yswiriant gydag acen Gymraeg"* extols the virtues of keeping business in Wales and avoiding the slide into the culture of overseas call centres.

Thomas, Carroll is one company that has not in general found it difficult to recruit the staff it needs to expand its operations. The consolidation of the sector in south Wales has resulted in a number of individuals with the relevant skills becoming available and they have been attracted to the company by its enlightened employment and career development policies.

The company was this year recognised as the 10th best small business to work for in the UK and the only Welsh company to receive a three star rating in the Michelin style awards.

HEALTHY EATING

The awards reflected the company's provision of complimentary membership of a local leisure centre and of nutritional advice from experts. Staff are provided with apples, pears, grapes oranges and bananas from a fruit station to encourage healthy eating. Staff surveys suggest these and other similar policies are appreciated. Some 87 per cent said in one survey that they believed senior managers lived the values of the organisation and 90 per cent expressed confidence in their leadership skills.



"Too many good Welsh businesses reach a plateau and seek a partner that all too often comes from outside of Wales."

RETAINING CONTROL

Growing the business in Wales and retaining independent control of it is the determined strategy of the directors who own the company. *"We enjoy what we are doing and it is the continuity of our independent approach that enables us to attract the best people and offers our clients a level of certainty in a sector where there is usually precious little"* says Rhys Thomas.

The emphasis that has been placed in recent years on developing Welsh entrepreneurialism, however, should, if it works, provide the company with a growing potential client base within its south Wales target area, and make it easier for Thomas, Carroll to remain an acquirer rather than a potential target. If this proves to be the case, many of the region's cricketers and footballers, and not just the company's customers will have reason to be pleased.

Location in Caerphilly – a borough which now boasts some of Wales's most successful entrepreneurial companies – has been advantageous. Though the company's directors had some initial doubts about moving out of Cardiff, where most of the original businesses were sited, the Caerphilly location has proved accessible for staff from north Cardiff, including Lisvane and Pentyrch as well as from the Rhymney Valley and further afield. The M4 is less than 20 minutes away since the dualling of Nantgarw hill. Rail links to Cardiff are also good and frequent.

Raising finance for expansion, including the investment in IT, has not been a problem and the experience of obtaining grant funding from the Welsh Assembly Government was not the red tape nightmare such transactions are often

portrayed to be. *"We spent time preparing our case and this helped. In the end the finance was granted without the extensive interviews and bureaucratic processes we had feared,"* says Rhys Thomas. For other finance the company has used normal commercial banking arrangements. A good track record ensures that relationships are sound and funding has always been available.

The company's future growth will depend partly on developments generally within the Welsh economy, where Rhys Thomas sees some cause for concern, in particular the drift of businesses out of Wales or out of Welsh control. All too often when businesses are acquired from outside Wales the services provided to them by other Welsh firms go with them.



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core care strategy

The publicly quoted pharmaceuticals and devices company has struggled in recent years but after a thoroughgoing review is hopeful a focus on certain product areas where it has key technologies and on the more profitable world markets will bring it rewards

Profile

Company	Maelor
Sector	Pharmaceuticals and Medical Devices
Location	Ruabon

Mix together Wales and pharmaceuticals and the result is not necessarily a prescription for success. The big, global names – Astra Zeneca, Pfizer, GlaxoSmithKline and the like – have limited, if any, Welsh presence, preferring to cluster instead in south east England or the north west of the country, notably in Cheshire and various northern cities.

Maelor, based in a semi-rural location not far from Ruabon, south of Wrexham and not far from the border with England, is one of the exceptions. At an attractively modest Edwardian pile adjoining the railway line between Chester and Shrewsbury, the company focuses on specialist pharmaceuticals and devices, supporting patients in critical care, a category that includes those undergoing emergency or elective surgery, and commonly cared for in intensive care units.

LAUNCH PRODUCTS

As well as bringing products and devices in this area to market – its Volplex gelatin brand used in operating theatres and wards to maintain blood

volume has recently been commercialised to the National Health Service – Maelor also works through partnerships with other companies to bring to market late stage and launch products and technologies in other areas not linked to its core critical care strategy.

It also owns a complex technology – proprietary micelle nanotechnology – that in layman's terms enables insoluble active pharmaceuticals to be made soluble. This technology entraps drug compounds inside minute particles built up from polymers, and can, potentially, deliver effective concentrations of drugs that would otherwise be insoluble. A patented technology, it works on active



drugs, breaking them down into ever-smaller components in order to make them soluble.

Maelor has made significant advances in this area, with products in the pipeline capable of providing significant benefits in the care of cystitis and chronic pelvic pain, wound care and anaesthesiology. It will not be commercialising these itself, however.

"The market now regards us as a much more focused group that has rationalised products and distributors to focus on high potential, profitable opportunities. That is beginning to make us much more attractive"

Tim Wright



Instead, it will license this technology for partners to develop.

The business model the company has adopted – focusing on areas where it has specialist knowledge and finding partners for others – has been arrived at after a period of losses, leading during the course of 2005 to management changes and a rigorous strategic review.

"We perceived that the business was fragmented, both in terms of therapeutic and geographical focus," said Tim Wright, a pharmaceutical industry professional with 15 years experience working with Pfizer, SmithKlineBeecham and Irish company, Elan, who was appointed chief executive in October 2005. *"There was also the need to build a stronger commercial capability for both the identification and exploitation of new business opportunities."*

Tim Wright's appointment followed that of Geoffrey McMillan, a non-executive director since May 2005 and the current chief executive of BioFocus. He was appointed non-executive chairman, in January 2006 in succession to Alastair Macpherson, who led the company to the Alternative Investment Market (AIM) in 1997.

NEW APPOINTMENTS

Geoffrey McMillan previously held senior posts with Elan and was recruited partly for the particular experience he has in product licensing and mergers and acquisitions. Other recent arrivals include a new financial director and new commercial director. The advisory board has also been strengthened with the appointment of a highly experienced clinician.

Tim Wright is frank about the challenges he found on his arrival. The company, he explains, was trying to do too much with too diffused a product range and too wide a scale of international operations. In addition, a stronger commercial capability was needed for both the identification and exploitation of new opportunities.

"Maelor, when it was first founded, took original pharmaceutical products, improved them and developed them further. The company had certainly done good things in the past but there was, and remains, room for improvement. In the past, Maelor had developed some useful technology, notably micelle nanotechnology. At a later stage, Maelor became expert in wound care, yet there were large areas within the available market where improvement was needed."

Since the new strategy was launched, the company has entered into a licensing agreement with another UK company, Plethora Solutions Holdings, for the micelle nanotechnology delivery system. Maelor will provide Plethora with a worldwide exclusive licence to the technology for application in Plethora's programme for the treatment of interstitial cystitis and painful bladder syndrome. Plethora will be responsible for product development. Maelor will receive, in addition to an upfront payment, development and sales milestones payments, and royalties.

Volplex, which had been identified as a key area on which Maelor wished to focus, has travelled in the opposite direction. Full UK rights to the product, which had been licensed out, have been

re-acquired and it has since been successfully re-launched. Sales of the product rose as a consequence by 35 per cent in the second half of the last financial year, compared with the first half.

SISTER PRODUCT

The new focus has also been brought to bear on the company's other main commercialised brand, the company's catheter maintenance range. Optiflo, which was launched in 1999 and is distributed through distributor Bard, has grown to take 54 per cent of the UK prescription market, and a sister product Contisol, distribution of which has been retained by Maelor, has been successfully launched in Spain, Greece and other international markets. *"We're very actively promoting Volplex, and we're doing the same with ContiSol, the international brand of the UK product OptiFlo,"* says Tim Wright.

The decision to focus on devices as well as pharmaceuticals is deliberate. "The people most involved in critical care are anaesthetists and intensive care specialists, and they are very familiar with using pharmaceuticals at the same time as they need to use devices. Given the relatively low numbers of these specialist physicians, they are relatively straightforward for a company like Maelor to access.

The critical care portfolio will now be further built, by identifying complementary pharmaceuticals and devices as well as by extending existing product lines. The company also intends to go further in commercialising critical care brands fully itself. It is also now looking for other critical care products to distribute in the UK.

"As a result of this approach and by targeting a specific sector we are seeing sales grow. Volplex sales in the second half of the last financial year grew by 35 per cent over the first half and it now has a 14 per cent share of the UK gelatin market and continues to grow rapidly. We have therefore, taken the decision that we want to build up our experience in anaesthesia and fluid control in order to become market leader. And, as we do that, we would like to look at acquiring new products within the area of critical care."

According to Tim Wright, market reaction to the refocused strategy has been positive, though the share price has yet to reflect this fully. *"The market now regards us as a much more focussed group that has rationalised products and distributors to focus on high potential, profitable opportunities. That's beginning to make us much more attractive to the market, especially as there is a real willingness on our part to get on and make a difference."*

STRONG POTENTIAL

Although losses – which at one time resulted in the company actively seeking a purchaser for the business – have not been eliminated, the directors claim to be making good progress. Turnover in the six months to end-September 2006 has grown by 44 per cent to £1.33m and operating losses are down from £429,000 to £93,000. The company's cash position is also stable.

So what does the future hold for Maelor? *"We're seeking to establish ourselves firmly in the UK,"* said Wright, *"and then outsource manufacturing and*

sales to the US, Canada, Germany, France, Italy and Spain. The main thing to remember is that 80 per cent of the world's pharmaceutical sales occur in eight territories: the UK, those already mentioned above, and Japan." China is also seen as having strong potential and Maelor is actively pursuing regulatory approval for Volplex in that market.

"Our review showed that we were involved in several territories outside these countries, where the size of opportunity is inadequate when weighed against the costs of ongoing regulatory support and the potential distraction of the business at this stage of its development. These agreements are now either being terminated or are being treated as low priority."

In contrast to many companies operating in Wales, Maelor has relied very largely on private sector finance, and in particular its AIM flotation, to fund its development. Public funds were not used to set the company up and support from public bodies has been limited, the company says.

"Whilst we have certainly received some funding for which we are grateful, I am not aware of any significant amount of support in the past from bodies such as the Welsh Development Agency," notes Tim Wright. "We had support from the local authority for the purchase of computers and we are actively looking for assistance from the Welsh Assembly Government for the development of new products

Information technology (IT) is a highly significant part of the company's development and selling process and it is something the company has embraced since its formation, becoming reliant on it in recent years to enhance the profile

of the firm. "That's why our website is critical but we cannot use it for selling, because of the stringent regulations surrounding drugs sales. It is very much the outward-looking component of our operations. Without it, we cease to be entrepreneurial and we'd cease to be a company which is out-and-about."

The company was originally set up as a virtual organisation with all manufacturing outsourced to Germany and employment is still very small at only eight people. Finding the right individuals to fill vacancies and to expand the business can, Tim Wright admits, be difficult. "As we are not the pharmaceutical industry per se [but a specialist operator within it], attracting people with specialties can sometimes prove very difficult."

SPECIALIST SUPPORT

Specialist support, too, has to be brought in from across a wide area. "Where we can, we use local people," said Wright, "but, at present, much of our support comes from outside Wales. Much of our marketing and design is undertaken in house but, for us, one of the hardest things is to find someone who offers the very specialised service we need. We generally use London-based advertising agencies, simply because the expertise in pharmaceutical advertising is concentrated within the M25 corridor."

The company is now a year into its new strategy and is confident it is delivering the hoped-for results. Making it through into break-even and ultimately profit in the highly competitive pharmaceuticals market is now the company's main goal.



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kitchen classics

The Clwyd paté company started by chance 25 years ago to fill a sudden gap but quickly established itself as a supplier of quality products to restaurants and retail outlets. It was also an early adopter of information technology – now a vital tool in helping it to secure orders through the internet from all over the world



Profile

Company	Patchwork – The Traditional Food Company
Sector	Speciality Food Manufacture
Location	Llangollen

Wales has long had a reputation for the raw materials that go into making high quality foods but turning these jewels into branded consumer products and marketing them to customers around the world has not been one of the nation's strengths. Welsh lamb is supposedly the best in the world, as is succulent beef from Welsh black cattle. Seafood delicacies include Penclawdd cockles and the oysters and the particularly Welsh dish, laver bread from Swansea.

Yet, partly due to the efforts of the Wales Tourist Board, which has tried to encourage hotels, restaurants and other businesses catering to tourists to use local foods, and to Gwir Flas – True Taste, an initiative of the Welsh Development Agency, the picture over recent years has changed dramatically. Welsh meats have become established as branded quality products alongside their Scottish counterparts, with market research leading to the development of cuts aimed at particular tastes in France and other discerning markets.

Vineyards in south and west Wales have won prizes, too, in international competitions for their ranges and

Halen Môn sea salt collected from the Menai Straits seas around Anglesey is to be found on some of the best dinner tables in restaurants and homes around the world.

Women have been at the forefront of many of these ventures. Rachel Davies, founder of Aberystwyth's Rachel's Dairy, pioneered the use of organic milk for yoghurts and a range of other dairy products. Another Welsh company started by a woman, Patchwork – The Traditional Food Company has also won markets around the world for its patés. Its goods are on the shelves of Fortnum and Mason in London, as well as Selfridges and Harrods. In Wales Howells, the Cardiff department store, stocks its produce, as do many specialist delicatessens in the UK. It is also possible to pick up a Patchwork paté in international locations from Bangkok, Hong Kong, and Tokyo to the Algarve.

RURAL LOCATION

Like so many successful Welsh entrepreneurs, Margaret Carter, the firm's founder started Patchwork in 1982 on a kitchen table in an isolated rural location: a Victorian shooting lodge on a North Wales hillside near Llangollen. *"My mother was recently divorced with three young children and needed to pay the bills. "She worked at that time for a restaurant in Llandegla and they needed some paté so she said she would make it. She took £9 from the housekeeping money and started the business off,"* says Rufus Carter, Patchwork managing director.

The restaurant decided not to take any further supplies but Margaret Carter thought she had the makings of a great

"Gwir Flas is the most amazing flag-waving exercise for the whole of the Welsh food industry and it has really helped put us on the map in Wales"
Rufus Carter



product and sold instead to pubs and restaurants in and around Llangollen. With space running out at home to make her kitchen table classic she took the decision to move to purpose-built premises in Ruthin in 1987.

Many companies make a virtue out of longevity but Patchwork at barely 25 years old demonstrates that entrepreneurs can start businesses and prosper without any previous experience or background in a similar area, providing the idea is right and the quality is good. "Lots of companies that are similar to ours will say that they are the in the third generation of generating recipes. We started up within the last couple of decades and we are trading successfully," Rufus Carter explains.

Patchwork's products are specialist and unusual but the company does not make a fetish of secrecy. In the kitchen where new products are formulated and recipes drawn up ingredients on display include Penderyn Welsh whiskey, Brecon vodka, and organic oranges. The company's policy is to use only local produce or at least goods that are UK sourced.

SMALL BATCHES

Everything is preservative and additive free, cooked by hand in small batches to Margaret Carter's original recipes, with a few recent additions. Products are created to be unusual, challenging to the palate and easily marketed to those who are looking for something different for the dinner table.

Patés remain the mainstay of the company but they have now been joined by houmous, oatcakes, pies, tarts, quiches and chocolate terrines.

From that kitchen table in Faraway, the lodge where the business started, Margaret Carter's early efforts sowed the seeds for a company that now employs 45 people and is seeing remarkable growth. "We expect a minimum ten per cent growth this year," notes Rufus Carter, "and that has come about without major external investment or borrowing."

The Welsh Development Agency (part of the Welsh Assembly Government since May 2006) has helped to support the growth of Patchwork. "In many ways we are the business that the WDA built, both literally and metaphorically," says Rufus

Carter. "They built our factory unit and we bought it from them, so in terms of sheer bricks and mortar we owe our existence to the WDA."

The agency has also provided assistance in the form of tutoring – vital in a critical manufacturing area such as food processing where serious health and hygiene issues constantly need to be addressed. "It's not so much hand-holding but more piggy-backing. They have also helped us with market research, and advised on investment in information technology and machinery. They make networking possibilities so easy, as well. Of course all that is a major bonus for our business. If there are grants or handouts that we've not received, then we do not feel hard done by. We're positive about our business and that's our frame of mind." The support available in Wales is not so easily found across the border in England, says Rufus Carter. "I suspect that is why so many small companies like ours choose to come to Wales, succeed and flourish. The support systems are so well developed."

BUSINESS MENTOR

The company has also been able to find locally other business support it has needed to continue to grow, using a marketing company in Colwyn Bay and a business mentor based about ten miles away. Recruitment consultancy services come from Wirral but the company looks after its own business planning. "We're not out specifically to employ people locally. They just happen to be the best people for our requirements. If they happened to be miles away, we would still use them. But it's still good to know that this kind of expertise is available within a short drive."



The Gwir Flas – True Taste initiative is credited with being particularly helpful. *“It is the most amazing flag-waving exercise for the whole of the Welsh food industry and it has really helped put us on the map in Wales.”* In the awards organised by Gwir Flas Patchwork has been highly commended once, as well as winning one silver award. Rufus Carter has also been Gwir Flas ambassador for one year, a post that has also been held by Rachel Davies and involves touring Welsh food events in Wales and elsewhere and generally spreading the word about the quality produce now available from Wales.

AWARD SCHEMES

More companies should, Rufus Carter believes, involve themselves with Gwir Flas and its award schemes. *“Many businesses are simply reluctant to enter.*

Yet, the more offerings the judges see, the higher the standards in what is already an excellent sector.”

As in many other parts of Wales recruitment has become difficult for the company. *“There is virtually zero per cent unemployment in the Vale of Clwyd,”* notes Rufus Carter, *“and we are seeing an influx of foreign workers into this part of Wales. We welcome them. They’re hard-working, punctual, pleasant – indeed, shining examples of the kinds of people we’d all like to employ.”*

Workers from Eastern Europe are now regularly among the faces on the Patchwork factory floor.

The company has developed a highly individual method of working, which in some respects re-writes the management textbooks. Production employees agree their own working patterns, which, at present, are 7-3 Monday to Thursday and

6-2 on a Friday, with office staff working normal office hours. To avoid the dangers of a ‘them and us’ management and staff regime the company has been split into six teams with catchy titles: ASAP, Account on Us, Cool Stuff, In and Out, Hot Stuff and Right Stuff.

Every morning each team gets together in a 10-minute huddle where the day’s work will be planned, with some individuals taking on different jobs and responsibilities on different days. Official responsibilities – communications, safety and quality officer, for example – rotate on a three-monthly basis, so everyone gets a share of responsibility and accepts and learns new challenges.



The weekly formal team meeting is called 59:59 and must last no longer than 59 minutes, 59 seconds. So innovative are the management techniques that Patchwork has installed, the BBC has

used the company in a management training film and the Manchester Business School has filmed Patchwork as part of its research into new ways of managing a growing company.

The company’s philosophy of seeking to work with its staff permeates other areas, too. The workforce rest area – The Galley – has tea, coffee and soft drinks constantly available. There’s an outdoor, landscaped decking area with outdoor tables and chairs. Workers can watch television and make use of unlimited Internet access, as well as pinball machines, other games and a selection of magazines and newspapers.

IMPROVED ROADS

Getting the products out from a location where the nearest railway is 20 miles away and where the roads connecting the town to the motorway network are still tortuous in places is a challenge but Rufus Carter says they encounter few problems. *“It was a problem at one time but improved roads mean we can get to places quickly enough for our products still to be in perfect condition.”* A daily international collection takes goods from Ruthin to airports for shipping around the world.”

The company was an early adopter of information technology and regards its information technology system as its prime marketing tool *“Our website is a proactive investment. It allows people to see what we do and to order products on line. We have a deep understanding of e-commerce here. We have to. It’s vital to us.”*

The company has one very good client in Cardiff, a lawyer working within

sight of Howells department store, a Patchwork stockist. According to Rufus Carter the lawyer chooses instead to e-mail requests for pâté to be posted to him because he does not feel he has the time to buy it in person. It costs him an extra £10.

“Internet business also helps us pick up on international thinking and so it helps us hone our products to the markets we’re aiming at. For years the Welsh mentality appeared to be one of secrecy, and not telling people about how good the place is,” Rufus Carter says. *“We love what we do and we really want to share it with the world.”*

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